PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

# Clinton's Choice: Tell All or Just a Bit He Brainstorms With Aides on a Version the Public Will Accept

By Richard L. Berke New York Times Service

WASHINGTON - President Bill Clinton has had extensive discussions with his inner circle of advisers about a strategy of acknowledging to a grand jury on Monday that he had sexual enis with Monica Lewinsky in the White House, senior advisers have

Although Mr. Clinton has not settled on this approach, discussions have centered on a plan that would allow him to acknowledge a specific type of sexual behavior while still maintaining that he told the truth when he testified in January that he had never had "sexual relations" with the former White House intern, the

advisers said. Mr. Clinton would say he based his previous denial, in a deposition in the Paula Jones lawsuit, on a definition of sex that the judge in the case had approved.

His advisers believe the definition accepted by the judge does not apply to certain variations, including oral sex.

For months, Mr. Clinton has publicly denied any sexual relationship with Ms. Lewinsky. So an acknowledgment of some kind of sexual encounter poses considerable political risk, particularly if it were linked to a legal argument that rests on a narrow definition of what the word "sex" means.

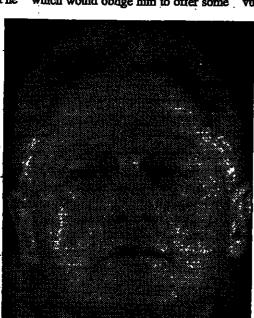
But Mr. Clinton's advisers have said that telling anything less than the truth to a grand jury about sex with Ms. Lewinsky would pose an

ship with Ms. Lewinsky to his law-

Once Mr. Clinton settles on what to say to the grand jury, which will hear him Monday, he must decide whether, and how, to explain to the American public his testimony.

Several Clinton advisers said there is

a consensus that he should speak out publicly, perhaps in a brief televised speech, after he has testified. Several advisers said the feeling is that the pres-ident's testimony will somehow be leaked to the public anyway, so he should portray it from his point of view, which would oblige him to offer some



It is not clear how precisely Mr. Crucial to President Bill Clinton's case: Clinton has described his relation- What exactly does the word "sex" mean? What exactly does the word "sex" mean?

specifics about the relationship.

The advisers cautioned that preparations for the grand jury appearance are continuing and that the strategy could still change as the president continues to examine the legal and political impli-

cations of various courses.

It could be that some of the president's advisers are discussing his possible approaches with reporters to gauge the political reaction.

The president has been severely limited in his ability to take political soundings, because anyone he talks to other than his private lawyers and his wife is vulnerable to subpoenas from Kenneth Starr, the independent counsel.

The most crucial discussions have been confined to a small group of advisers, all of whom have some recognized privilege that may be invoked against pros-ecutors seeking to learn of their

They include Mr. Clinton's wife, the lawyers Mickey Kantor, former secretary of commerce, and David Kendall, along with other lawyers in Mr. Kendall's firm of Williams & Connolly.

Even as the president's advisers review his options, some have prefaced their remarks by saying that it is still possible Mr. Clinton will say again, as he has publicly, that never had "sexual relations" with Ms. Lewinsky.

Rahm Emanuel, a senior political adviser to the president, declined Thursday to discuss Mr. Clinten's legal options.

Democrats and Republicans alike have suggested that even a mild and delicately worded con-

See CLINTON, Page 5

A DAY'S RELIEF FOR TWO TROUBLED MARKETS



Rebels fighting to overthrow the government of Laurent Kabila brandishing rifles after meeting a commander Friday in a Congolese town.

# Thousands Flee Capital Of Congo In a Panic

Electricity Is Restored But Residents Doubt Power of Government

By Howard W. French

KINSHASA, Democratic Republic of the Congo - Electrical power was restored to this city Friday after a 24-hour interruption, but with uncertainty soaring over the government's ability to keep approaching rebel forces at bay, thousands of foreigners and Congolese alike fled the city whatever way they could.

Responding to the urgent calls from almost every major Western country for their citizens to leave Congo, foreigners and locals with the necessary cash and visas — besieged airline offices and filled every available seat on the few remaining commercial flights that were

flying on Friday.
"I have got to get my family out," said one longtime foreign resident, who despite abundant business connections with the airlines had to struggle against huge crowds, including many offering bribes to airline officials, to secure three seats. "I myself will stay behind. But no one knows what might happen here and the family had to leave.

By day's end, virtually every sched-uled airline had canceled its service to this city of over five million, and Western countries, including the United States and France, were making arrangements for special charter flights to evacuate remaining nationals.

The rush to leave this city came on yet another roller-coaster day in a nearly two-week-old rebellion when things seemed to veer in the direction, if only momentarily, of normalcy.

After a night without electricity during which many feared the worse, following a dramatic rebel seizure of Africa's largest hydroelectric dam, power was restored in most parts of the capital by midday. This set off another round of competing claims between rebel and government forces over the course of a conflict that at times has seemed as much psychological as mil-

The rebels, who seek to overthrow President Laurent Kabila, claimed they kilometers (200 miles) southwest of here, but had restored the power supply as a humanitarian gesture and would cut it off again within three days if Mr.

Kabila still clung to power then. The government, having already suffered a huge blow with the interruption of electricity Thursday, sought to reassure public opinion already tend-ing toward flight and despair. "The dam was not taken by the invaders," the energy minister, Christian Eloko Botula, said in an interview on national radio, once transmission was restored. "There was simply a technical failure, and it has been repaired."

The public face the government put on the crisis did little to reassure many, however, including many senior officials. One minister encountered in a Kinshasa hotel asked a foreign journalist for his evaluation on what

happened.

When the answer came that it seemed very likely that the dam had been captured, he replied gravely, "Yes, I am afraid the news is not at all good."

Electricity was not the only bad news for the government either, although the impact of even more potentially serious developments has not yet come to be widely felt. The rebels claimed Friday to have resumed flights of men and weapons from cities under their control in the far east of the country, where the uprising began, toward the west where they were reinforcing positions they already hold and preparing to attack

Throughout the conflict, diplomats here have claimed to have few precise

See CONGO, Page 5

# \* U.S. Pressed **UN to Cancel** Iraqi Arms Inspections

WASHINGTON - The Clinton admonths, most recently Aug. 7, to dissnade United Nations weapons teams from mounting surprise inspections in Iraq because it wished to avoid a new crisis with the Baghdad government, according to knowledgeable American and diplomatic accounts.

The interventions included an Aug. 4 telephone call between Secretary of State Madeleine Albright and Richard Butler, executive chairman of the UN Special Commission responsible for lraq's disammament, who spoke on a secure line from the U.S. Embassy in

As a team of specialists stood poised in Baghdad, according to persons acquainted with the call, Mrs. Albright urged Mr. Butler to rescind closely held orders. The team was to mount "challenge inspections" at two sites where intelligence leads suggested they could uncover forbidden weapons components and documents describing Iraqi efforts to conceal them.

After a second high-level caution from Washington on Aug. 7, Mr. Butler canceled the special inspection and ardered his team to leave Baghdad. The disclosures were made Thursday

by officials who regarded the abandoned leads as the most promising in years and objected to what they described as the American role in squeich-

ing them.

U.S. efforts to forge a go-slow policy in Iraq have coincided with the announcement by Baghdad that it would halt nearly all cooperation with the UN commission and the Vienna-based International Atomic Energy Agency. The two panels are responsible for ridding Iraq of ballistic missiles and biological, chemical and nuclear weapons.

The behind-the-scenes campaign of caution is at odds with the Clinton administration's public position as the strongest proponent of unconditional access for the inspectors to any site in Iraq. Led by the United States, and backed by American threats of war, the Security Council has demanded repeatedly since 1991 - most recently in Resolution 1154 on March 2 — that Iraq

### See IRAQ, Page 5

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# By Barton Gellman

HONG KONG — After days of

Sir Donald Tsang, the financial secretary of Hong Kong, said that the government had taken the rare step of dipping into its reserves to buy shares and futures contracts because it believed that currency traders were manipulating the territory's financial markets to make "speedy profits." The move was announced after the

By Mark Landler

New York Times Service

stock market closed. But rumors of the intervention earlier galvanized the market, which had been battered by heavy losses all week.

The Hang Seng index rebounded 8.5 percent, or 564.27 points, to 7,224.69, its ninth-biggest point gain ever. The

index had dropped about 16 percent

Seeing Vultures Circle,

Hong Kong Gets Tough

"We do not tolerate attempts by speculators to manipulate our interest speculative attacks on its currency, rates," Sir Donald said as he stood next Hong Kong said Friday that it had to the chairman of the Hong Kong rates," Sir Donald said as he stood next mounted a counterstrike by interven- Monetary Authority, Joseph Yam, at a

The monetary authority waded into the market to buy Hong Kong dollars late last week and earlier this week. But it refused to characterize those moves as an intervention — saying instead that it was merely raising local currency to finance a temporary budget deficit. But the intervention in financial

markets Friday was far more aggressive than merely buying Hong Kong

In addition to the government's purchases, speculation surfaced that local companies with ties to the government

See HONG KONG, Page 13

# Moscow Stocks Recover As Banks Avert a Run

By Michael Wines New York Times Service

MOSCOW - Russia's financial markets rallied Friday after the Kremlin and the major Western powers indicated that they were working on still nomic crisis.

But with Thursday's panic fresh in their minds, brokers and analysts said they were less optimistic about a solution than relieved that Friday's markets had not continued the collapse that began the day before.

After losing almost 6.5 percent of their value on Thursday, Russian blue-chip stocks recouped those losses. The Russian RTS index closed 13.7 percent igher at 115.00 Friday.

The nine-month government bonds were yielding about 150 percent, well under the 200-percent-plus yields of

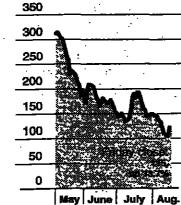
The banking system, which became the focus of Thursday's selling after it became clear that some major banks were unable to repay major loans, re-

Moscow banks were open, though many refused to sell their customers ine city's num rency exchanges were selling dollars, sometimes at exorbitant rates, but many had posted "No dollar" signs by the end of the day.

The Central Bank was trading currency at the rate of about 6.3 rubles per dollar. But at some currency exchanges around town, the rate approached 7 rubles per dollar. "It looks as though they avoided a run on the banks, which was the nightmare we were staring at this morning," said Tom Adshead, co-director of research for Moscow's United Financial Group.

See MOSCOW, Page 13

# Temporary Blip? Russian Trading System stock



# Russia at the Brink: Another Bailout?

# By Paul Blustein

ington Post Service WASHINGTON — Rarely has an international bailout of a major country fizzled so quickly - and so spec-

Only three and a half weeks after the International Monetary Fund approved a \$22.6 billion loan package for Russia, the nation's financial markets are engulfed in a panic.

Experts are predicting that yet another Russian rescue will be cobbled together, given Moscow's immense strategic importance.

A 14 percent recovery in Russian stock prices on Friday did little to calm

of losses that has knocked off 71 percent of the value of the nation's major stock index since the beginning of the

What has gone wrong, many of-ficials and analysts agree, involves a confluence of problems that fueled a downward spiral in market sentiment among them a worsening of the Asian financial crisis, a fresh decline in the price of oil, a major Russian export, and stiff resistance in the Russian lower house of Parliament to IMFmandated economic reforms.

The pessimism has fed on itself as the government appears less and less likely to be able to continue raising the money it needs to pay its obligations. The result has stunned even those who were dubious that the IMF-led bailout offered a lasting solution to Russia's economic woes.

'My prediction was that the money might have been enough to last six months, maybe a year, and to see this come so suddenly is truly a shock," said Clifford Gaddy, a Brookings Institution specialist on Russia. "What we're seeing here clearly goes beyond the realm of objective economics and into the realm of investor psychology.

The danger now, according to Mr. Gaddy and a number of other experts, is that Moscow will be forced to let the value of the roble fall from its current rate of about 6 rubles per U.S. dollar as businesses, banks and ordinary investors rush to unload their holdings of

See IMF, Page 13

### traders. The stock market dove 6.5 percent Thursday, the latest in a string

# **Japan Corruption Investigation Fizzles** Prosecutions Chastened Bureaucrats, but Old Ways Are Proving Resilient

By Sheryl WuDunn New York Times Service

TOKYO — Earlier this year, it seemed that a sweeping corruption investigation might send a number of Japan's mighty philosopher-kings, the bureaucrats who largely run the country, to prison.

But these days, despite a cabinet change, nearly the only government employee who has gone anywhere is Katsuhiko Kumazaki, the prosecutor who led a much-heralded investigation into scandals involving expensive free en-tertainment paid for by businessmen who wanted the bureancrais' favor. Mr. Kumazaki, 56, was transferred in

June to a remote coastal city, and the investigation seems to have fizzled out. The apparent collapse of the investigation, without snaring many high-level officials, underscores the resiliency

of Japan's traditional way of governing. There has been extensive criticism in the last few years of the Japanese bu-reancracy, which makes and carries out policy with far less interference from elected officials than civil servants in many other countries, and there had been an expectation of far-reaching change.

Mr. Kumazaki's investigation did bring about the arrests of more than 30 executives of financial institutions. Four officials of the Finance Ministry and one from the Bank of Japan, the central bank, were also taken into custody on charges of having accepted bribes in the form of entertainment

More broadly, the investigation seemed to readjust the pecking order in Japan. Traditionally, the most respected elite in the country was the corps of career bureaucrats in the Finance Ministry. But their glory seemed to fade a bit

when Japanese turned on their televi-sion sets in the spring and saw images of armies of prosecutors marching into the Finance Ministry, the central bank and the nation's top commercial banks to confiscate boxes of documents.

Now, though, surprisingly little is dif-ferent. And Kasumigaseki, the Tokyo district near the imperial palace where the government ministries are situated, has emerged only partly chastened.

"The investigation destroyed the common wisdom in Kasumigaseki that being entertained was not a problem, but it ended halfway, and I regret that," said Michio Sato, a member of the lower house of Parliament and a former pros-

Mr. Kumazaki, who is not giving interviews, was not the only man behind

See JAPAN, Page 5

### Friday @ 4 P.M. 1.8016 146,305 6.0385 5.9825 Pound Dollars per pou The Dov. - 34,50 8,425.00 **— 12.16** 1,062.75 **— 12.32** 1,790.22 Page 8.

### AGENDA

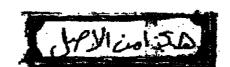
### **U.S. Court Weakens Tobacco Regulation** RICHMOND, Virginia (Reuters) —

A federal appeals court ruled Friday that Congress did not give the Food and Drug Administration regulatory jurisdiction over tobacco products, reversing a landmark lower-court decision.

"The FDA has exceeded the authority granted to it by Congress, and its rulemaking action cannot stand," the judges said in a 2-to-1 decision.

A North Carolina judge ruled earlier that the agency had authority to regulate nicotine as a drug and tobacco products as drug-delivery devices, but could not restrict tobacco advertising. In August 1996, the agency restricted the sale of cigarettes and smokeless tobacco to Pages 18-19. minors and limited the advertising and promotion of tobacco products.





# Cambodia Museum's Bat Dilemma

By Seth Mydans New York Times Service

PHNOM PENH — The mystical statues of ancient Angkor, with their enigmatic smiles, sit in the damp and almost empty National Museum here, enveloped in an ethereal twittering.

It is the twittering of millions of tiny bats, roosting under the leaking roofs and eaves of the museum — the most dangerous threat to the preservation of these ancient treasures, but also one of their chief benefactors.

Since the days of the Khmer Rouge 20 years ago when the museum was abandoned and the bat population exploded, its curators have sought ways to drive them out. They are trying again today, but they are meeting resistance from people who say the museum needs

There are sounds of heavy lifting in the museum's musty halls these days as men with a mechanical winch heft the last of the statues back onto their pedestals after a triumphal yearlong tour of the grandest museums of France, the United States and Japan.

They returned unharmed from their journey, said the museum's director, Khun Samen. But here at home they are

in peril. Bat guano is killing them.
In flecks and black crumbs and noxious dust, it falls and flutters constantly from the false ceiling that encloses the upper reaches where the bats roost. It mixes with leaking monsoon rainwater and seeps like coffee stains through the

Kohl Is Catching Up

But Not by Much Yet

BONN — Chancellor Helmut Kohl

has cut the opposition Social Demo-

crats' lead in opinion polls over the past

few months, but there is no evidence of

a major swing toward his Christian

Germany's general election, a monthly survey showed the conservatives gain-

ing 1 percentage point to stand at 38 percent while the Social Democrats

standing was unchanged, at 42 per-

The Politbarometer, conducted by the Electoral Research Group for ZDF television, showed Mr. Kohl's camp

of the last three months, while the

but the SPD has stayed at the same

level." said Dieter Roth of the Elec-

The CDU has improved slightly

Social Democrats' score was static.

toral Research Group.

strom has her way.

The STATE OF STATE OF

Sweden Might Sell

Liquor on Saturdays

STOCKHOLM - A 16-year ban on

Saturday sales at Sweden's state-run

cial Affairs Minister Margot Wall-

Despite images internationally of

With just over six weeks to go until

Democrats, pollsters said Friday.

split and sagging wooden ceiling and down the museum's walls.

It accumulates — filled with tiny worms - on the elaborate carved headdresses of the statues, on their shoulders, their folded knees and the creases of their garments, where it turns to sticky and corrosive slime and eats into the sandstone and bronze.

It fills the air with an actid, ammoniac stink that mixes here and there with the sweetness of incense and jasmine that

Bat guano, a major source of income, is a threat to Angkor statues.

museum workers place reverently before the holiest of the Buddhist and

Hindu statues. The statues are all right as long as we sweep," Mr. Khun Samen said.
"But if we stopped sweeping they would be buried.

At dawn and at noon, museum workers sweep and dust, gathering — and saving — more than nine kilograms (20

pounds) of bat guano each day.

Periodically the more agile of the workers cover their faces with cotton cloths and climb above the ceiling, where they gather another half a ton of bat guano a month, said the museum's

deputy director, Oun Phalline. Mr. Khun Samen is determined that the time has come to put an end to all this.

BRIEFLY

trolled by the state to discourage ex-

The social affairs minister is cam-

cessive drinking, with all but low-

paigning to reopen alcohol shops Sat-

tion of home brew had defeated the

thority newspaper, Kupe, this summer found 68 percent of 1,000 Swedes

'Prague Spring' Role

Czechoslovakia in August 1968.

A survey in a National Railway Au-

estioned thought Systembolagets

shops, or Systembolagets.

purpose of the closure.

should open Saturdays.

had gained a percentage point in each German Party Regrets

alcohol shops could end if current So- communist Alexander Dubcek, said

(Reuters)

"I love bats too," he said, as if anti-cipating a backlash. "But in the whole world there is not another moseum with bats. In the Louvre and the Metropolitan, there are no bats. I think in your own home you would not want bats."

He is near an agreement with a French charitable organization to build an uncompromising new plaster ceiling and seek ways to keep out the bats, perhaps using wire mesh.

"Let them go live somewhere else," said Bernarde Porte, who heads the museum's restoration and conservation department. "Let them live at the royal palace."

But things are not that simple. The museum needs the bats. It receives no government funding in this poverty-ridien nation, and it is broke. Its employees have not been paid for two months.

And bat guano sells as fertilizer at the central market for 40 cents a kilogram. For years the museum has been earning more than \$300 a month from the guano trade, which it uses to subsidize its operations and keep its employees from

starving.
"We use it to buy office supplies and cleaning supplies," Mrs. Oun Phalline said. "And part of it we give to the staff to support their living expenses."

A museum guide, Mao Vuthy, said the sale of bat guano had helped support

his family for nearly 20 years.

'You can eat the bats too," he said

eagerty. "They can be fried like chicken. They are good with wine or beer. I will be sorry to lose the bats."



Ethnic Albanians fixing their roof Friday in the Kosovan town of Rezalla.

# Swiss Deal on Nazi Gold **Is Called a Moral Victory**

TEL AVIV — The head of an organization that has battled for the return of Holocaust survivors' assets on Friday called a \$1.25 billion settlement with Swiss banks a moral victory.

'We have achieved a historic agreement," Avraham Burg said, using a phrase echoing a Jewish prayer, "not only because of the money, but because of the statement made publicly in court by the Swiss banks saying, 'We have sinned, we betrayed a trust.'

Mr. Burg, chairman of the World Jewish Restitution Organization, said meetings would be held in New York next week to begin working out details surrounding the disbursement of the funds. The settlement still needs a judge's approval.

In the years leading up to World War II, many European Jews deposited money in secret Swiss bank accounts, expecting to retrieve it later. But after the war, banks often told Holocaust survivors or their heirs that they could not find the accounts.

The settlement agreement calls for the money to be paid out to survivors and their heirs over four years by the two largest Swiss commercial banks -UBS AG and the Credit Suisse against whom most of the claims have been filed.

The settlement would cover ail claims against them, plus all other Swiss banks, the Swiss government and Swiss

Echoing statements by Israeli leaders, Mr. Burg — whose organization med previous, smaller settlement offers from the Swiss - vowed to go after other companies and countries that have held back assets of Holocaust survi-

"It is possible that it will be followed by another battle," Mr. Burg said on his arrival in Tel Aviv from the United States. "There are still millions of dollars missing that disappeared in those

Lawsuits are pending in the United States against 16 European insurance companies and two German banks. In addition, the Jewish Agency, a quasigovernmental group that acts as a li-aison between Israel and world Jewry, is looking into reports that Portugal and other countries allegedly helped the Nazis move gold taken from Jews to South America.

### ■ Sanctions Plans Are Dropped

New York City and state on Friday canceled planned sanctions against Swiss banks in support of claims by Jewish Holocaust victims and their heirs. The Washington Post reported from New York.

The \$1.25 billion agreement between the banks and Jewish groups was con-tingent on the withdrawal of threats by U.S. states and municipalities to stop business dealings with the banks and subject them to other penalties if a settlement was not reached.

# TRAVEL UPDATE

COTONOU, Benin (AFP) -- Tourists wishing to visit five West African countries now need only one visa to enter all five, under a recent agree-

Benin, Burkina Faso, Ivory Coast, Niger and Togo have all decided to share the same visa requirements for a 60-day travel permit that will be available at any of the member states' embassies. The visas will cost around \$40, revenue that will be shared among the five countries.

ZURICH (AP) - Less than a year after 36 Swiss tourists were massacred at a temple in Luxor, Switzerland's biggest tour operators said Friday they will restart vacations in Egypt in autumn.

Kuoni, Hotelplan and ITV said they will resume offering tours to the country's Red Sea resorts at the end of September. The Swiss Foreign Ministry is still recommending against travel in Egypt, but the operators justified their action because all other European countries have ceased making such a recommendation.

The German railway Deutsche Bahn will offer free mineral water and fruit juices to passengers traveling on the weekend to thank them for their patience after months of delays and disruptions following a fatal train wreck at Eschede in June.

US Airways Group and Delta Air Lines matched a 4 percent fare increase by American Airlines, representing the sixth attempt this year by U.S. carriers to raise airfares.

# Kosovar Bars Volume S Vol To Negotiate With Belgrade

Agence France-Presse

PRISTINA, Yugoslavia - Adem Demaci, the main rival of Kosovo's ethnic Albanian leader, Ibrahim Rugova, said Friday that he had refused to join a team being prepared for possible negotiations to end the civil war with the central government in Bel

Instead, he said, he had agreed to be the chief political representative of the Kosovo Liberation Army.

The Kosovo Liberation Army is one of the groups fighting for independence for Kosovo from Serbia. Ninety percent the 2 million people of Kosovo are ethnic Albanians.

Mr. Demaci said that the leadership of the rebel force had asked him to abandon his current political ties and accept the role of chief representative.

Mr. Demaci is head of the Kosovo Parliamentary Party.

He said that he had accepted that call

but refused to join Mr. Rugova's fivemember negotiating team, which was formed Thursday.

'This new team is just an alchemist's attempt by those who think that dreams can solve problems. No concrete powers, including the KLA and the will of the people, are standing behind it."

Mr. Demaci said in Pristina, the capital

of Kosovo. Mr. Rugova nominated the team under pressure from Western powers. It is supposed to be ready for possible talks with Belgrade.

But no member of Mr. Demaci's party nor of the Kosovo Liberation Army is part of the team.

MITICAL

# ■ Firefight on Albanian Border

As many as 560 fighters of the Kosovo Liberation Army and roughly 240 ethnic Albanian civilians from Kosovo eluded pursuing Yugoslav Army and Interior Ministry soldiers and made their way to sanctuary in northern Albania this week, R. Jeffrey Smith of The Washington Post reported from Tirana, Albania.

The exodus from Kosovo, one of the largest in recent months, provoked a brief firefight at the border between Yugoslav soldiers, who fired into Albanian territory, and a number of guer-rillas and local residents, who returned the fire, according to Albanian officials and international aid workers.

The Albanian Army responded by evacuating farmers and rushing troops to the border from a nearby garrison, the officials said. But no wider conflict en-

Aid workers described the clash Thursday as dangerous because it provoked the Albanians, who have avoided direct involvement in the conflict in Kosovo so far, despite ethnic kinship with the Kosovars.

The aid workers said an emissary of the Albanian government had to intervene to dissuade the Albanian soldiers and the local people from further fir-

Although a few shots have been exchanged previously by the two nations' border guards, this incident was the first that could have escalated into a direct confrontation between military forces. Most officials here previously had described the likelihood of a direct clash as low because the border runs through such difficult mountain terrain.

"Serbian forces shot at Albanians," president of Albania, Rexhep

He predicted that "the situation is going to be worse" in the coming weeks and months.

### **RELIGIOUS SERVICES** BRUSSELS/WATERLOO

ALL SAINTS' CHURCH, Eucharist Sunday School 11:15 a.m., Eucharist 1st Sun, 9 a.m., 553, chaussée de Louvain, Ohain, Mail: 81, rue Coleau, 14:10 Watartoo, Belgium, Tel: 32 (1) 2 384 3558.

EUROPEAN BAPTIST CONVENTION

LB.C. BERLIN, Rothenburg Str. 13. (Steglitz), Sunday, Bible study 10.45, worship Service 12.00 noon, Charles

BRATISLAVA - SLOVAKIA

I.B.C., The luventa, Karloveska 64, Auditorium 104B. Worship Sun. 10:00.

LB.C., Hohentohestr. Hermann-Bose-Str.

Worship Sun. 17:00, Pastor telephone:

BUCHAREST

LB.C., Str. Xenopol nr. 2. This is next to

BUDAPEST

LB.C., World Trade Center, 36, Drahan

**DARMSTADT - GERMANY** 

LB.C., Wilhelm-Leuschner Str. 104, Darmstadt-Griesheim, Bible Study Sun. 16:00. Tel.: (0611) 941-0505.

FRANKFURT

LOWSHIP, Ev.-Freidrichliche Gemeinde, Sodenestr. 11-18, 83150 Bad Homburg, Sunday Worship, Nursery & SS: 11-20 A.M. Mid-week ministries, Pastor

koanei. 11:45 - 13:15. Contact Pastor lers, Tel. 330-02/3 or 321-3472.

Tel.: (07) 715367

'Prague Spring' led by the reform

Moscow and its partners had flouted

**AMSTERDAM** 

CROSSROADS INTERNATIONAL CHRIST CHURCH, (Clar Evangelical Sunday Service 10:00 a.m. & 11:30 a.m./ Kids Welcome. De Cuserstraat 3. S. Amsterdam Inio. 020-641 8812 or 020-6451 653. FRANCE/TOULOUSE

### HOPE INTERNATIONAL CHURCH

(Evangelical). Hotel La Grand Noble, 90, ave. de Cornebarrieu, Blagnac. Sunday service 10:30 a.m. Tel.: 05 62 74 11 55. i) Hotel Le Grand Noble FRENCH RIVIERA/CÔTE D'AZUR

NICE: Holy Thinby (Anglicen), 11 rue Buffa, Sun. 11; VENCE: St Hugh's, 22, av. Résistance, 9 a.m. Tat 33 04 93 87 19 83. **FRANKFURT** St Leonhard, International Catholic Parish, Alte Mainzer Gasse 8, 60311 (near Römer). Masses in English: Saturday 5 pm., Sunday: 10 am. Tel/Fex 069-283177 or J.Schad@em.frankkint-

PARIS and SUBURBS EMMANUEL BAPTIST CHURCH EMMANUEL BAPTIST CHURCH 56. rue des Bons-Raisms, 92500 Russi-Matriation. Summer schedule July, August: Westrip: 9:45: Coffee hour 11:00. For

HOPE INTERNATIONAL CHURCH Hotel Orion at Parts-la-Defense, 8 bd. School/Nursery 11:45. Seybothstr. 4, de Neuity, Worship Sundays. 10.00 a.m. 81545 Munich (Harlaching). Tel: 49 (0) Rev. Frederic Herry, Pastor. T. 10 14.3 89648185. 04 06 Métro 1 to la Détense Esplanade.

SAINT JOSEPH'S CHURCH (Roman Catholic). MASS IN ENGLISH: Sat. 11:00 a.m., 6:30 p.m.; Sun. 10:00 a.m., 12:00 noon, 6:30 p.m.; Mon.-Fri. 8:00 a.m. 50, avenue Hoche, Paris 88h. Tet. 01 42 27 28 55. Metro:

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SWITZERLAND

rested and forced to submit to Soviet Sweden as a liberal, free-living counpower," the apology to the Czech Retry, the sale of alcohol is tightly conpublic and Slovakia recalled. For us, August 21, 1968, marks alcohol beer available only from state

above all the end of the last attempt at the democratic renewal of socialism in the East Bloc," it said. The statement was signed by the party president, Lothar Bisky, and Gregor Gysi, the head of the party's group in ParliamentAFP)

# She said that the large amounts of alcohol smuggled into Sweden to beat high taxes and the increased consump-Yeltsin to Restore 'Great' to Novgorod

NOVGOROD, Russia - President Boris Yeltsin flattered local pride in this old Russian city by announcing on Friday that he would shortly restore the "Velikii" ("Great") in front of Nov-

gorod's official name.
"Novgorod today is very much on the up," Mr. Yeltsin told a crowd in the the up," Mr. Yeltsin told a crowd in the city's Kremlin. "It's overtaking many, BERLIN — The Party of Democratic many Russian cities, and one is just Socialism, the successors to the Communist Party that dominated the former amazed by any city statistics or num-East Germany for 40 years, made a bers one looks at."

Public apploay Friday for East Berlin's Novgorod has a strong industrial

role in the Soviet-led invasion of base and a self-reliant tradition The city styled itself "Velikii Novgorod," or even "Gospodin Ve-A statement by the party marking the 30th anniversary of the Warsaw Pact likii Novgorod," "Lord Novgorod the Great," when it was at the heart of a intervention that ended the brief powerful Russian kingdom, a great

trading as well as a political center. But Novgorod finally lost its "greatness" to Moscow as the czars expanded their rule. "Elected political leaders were ar-

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## West African Visa Deal

# Swiss Return to Egypt

# WEATHER

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# Conservative Pulling Even In California Senate Race

By Michael Janofsky New York Times Service

SAN FRANCISCO Less than three months ago, Matt Fong was little known outside California, where he Boxer won a close race over His mother's popularity is state treasurer. Now, Re- Bruce Herschensohn, garner- could help Mr. Fong win critpublican heavyweights like ing 48 percent of the vote.
Newt Gingrich and Trent Lott
She has been consistently regard him as a new best

Since he narrowly won the June to oppose Senator Bar-bara Boxer's bid for re-elec-of President Bill Clinton. Her into in the autumn, Mr. Fong daughter, Nicole, is married her in the polls, giving Re-publican leaders new reason

incumbent at a time when the economy is strong and voter this satisfaction is not the overwhelming issue it was four Thus Mr. Gingrich, the House years ago. In May the latest speaker, has traveled to Calipoll by the Field Institute, a nonpartisan organization, showed that she held only a slim advantage over Mr. Fong, 47 percent to 43 percent, a statistical tie. In late July, a San Francisco Examleading by just 43 percent to

"Barbara Boxer has the most partisan image of any known name in California official in Califor- politics, not only as state

United States.

Iowa Legislature.

yacht in Massachusett

of the business magazine Forbes.

POLITICAL

Thatcher Raises Funds in Iowa

DES MOINES, Iowa - Former Prime Minister Mar-

garet Thatcher of Britain raised nearly \$500,000 for Iowa

Republicans on Thursday in an appearance arranged by Steve Forbes, a Republican presidential hopeful.

Baroness Thatcher told a funch gathering of 450 people

"We both believed the same things, and, more than

who paid a minimum of \$250 each to see her that it was

one of the "great advantages of fate" that she was Britain's leader when Ronald Reagan was president of the

that, we both had the determination not merely to make

speeches about our beliefs but to put them into practice

when the opportunity arose," she said. The event was designed to raise money for Republicans running for the

Mr. Forbes, who unsuccessfully sought the Republican presidential nomination in 1996 and who has already

started preparing an effort for 2000, told a news con-ference beforehand that Lady Thatches had been a

friend of the family for several years, and I asked and she

readily assented" to make the appearance.

Mr. Forbes succeeded his late father, Malcolm, as head

Lady Thatcher and her husband, Dennis, flew to Iowa on Thursday after visiting with the Forbes family and the former first lady Nancy Reagan aboard the publisher's

Before the steak-and-wine lunch, a few dozen people lined up to be photographed with Lady Thatcher at \$1,000

Puerto Rico Backs Referendum

SAN JUAN, Puerto Rico—The Legislative Assembly has given its approval for Puerto Rico to hold a referendum on whether to become the 51st state, although

Under the measure, Puerto Ricans would choose among statehood; independence, independence with a vaguely defined "free association" with the United States or continuing their unusual commonwealth ar-Under the commonwealth agreement worked out in 1952. Puerto Rico's 3.8 million residents are U.S. citizens and eligible for federal aid, but they cannot vote for president unless they live on the mainland and their sole

representative in Congress has no vote. In March, the U.S. House of Representatives passed a bill allowing for a similar referendinn. But that bill is held

Madeleine Albright, the secretary of state, speaking at the ceremony for the Americans killed in Kenya: "They

were the kind of unpretentious but remarkable people who represent America in diplomatic outposts around the world — people doing their jobs day in and day out, working for peace, strengthening democracy, healing the ill, helping those in need, winning friends for America.

the United States is not bound to honor the results. The bill for a Dec. 13 referendum was approved in Puerto Rico's Senate on Thursday, a day after passing the House of Representatives. Its sponsor, Governor Pedro

Rossello, was to sign it into law Friday.

(Reuters)

nia," said Mark DiCamillo, treasurer since 1995 but also

has pulled virtually even with to Hillary Clinton's brother, Tony Rodham.

Credentials like that and fornia to appear with Mr. Fong, and other ranking Republicans are scheduled to follow, including Mr. Lott, the Senate majority leader.

Mr. Fong, 44, a lawyer and a former air force officer, is support for reasons beyond Ms. Boxer's approval ratings. He, too, carries a well-

director of the Field poll. "At as the son of March Fong Eu, this stage, it's a yes-or-no a Democrat who was elected vote on her." a Democrat who was elected five times over 24 years as In 1992, the so-called year California's secretary of of the woman in politics, Ms. 'state.

ical swing voters, typically She has been consistently those who are Democrats but regarded as one of the most conservative and who live liberal senators. She has been outside the urban liberal a champion of abortion rights strongholds of Los Angeles Republican nomination in and gun control. She is also a County and San Francisco. She could also help him with Asian-Americans, who are about 5 percent of the electorate in California and tend to vote Democratic.

The election in which Mr. to believe they can gain five seats in the Senate, for a filibuster-proof majority of 60.

Ms. Boxer is in an alarming predicament for a Democratic to view Ms. Boxer as one of voter can cast a ballot for his have persuaded Republicans primary is one in which any to view Ms. Boxer as one of voter can cast a ballot for his several Democratic incum- preferred candidate for either bests who might be espe-cially vulnerable this year. office. In the more usual system, a yoter must register as a member of one party before he can vote for his preferred

Asian-American took advantage of the dualparty open primary to play an important role in Mr. Fong's slim victory, 22 percent to 20 iner poll found Ms. Boxer predicting that he will attract percent, over Darrell Issa. A poll of voters in San Francisco found that 90 percent of Asian-Americans voted for a Democrat in the gubernatorial primary and almost as many also voted for the Republican Mr. Fong in the Sen-

> Mr. Fong is counting on his expertise as a fiscal manager, his strong support for the mil-

vironment to characterize Prevention. him as out-of-touch.

with him on the issues, the Promotion. etter I'll do ''



ECUADOR QUAKE - President Jamil Mahuad comforting a woman in Bahia de Caraquez during a visit to victims of an earthquake which struck 10 days ago.

# Teens, Armed and Dangerous

one of the 30 days before the

35 percent of Hispanics and

percent drove after drinking,

Blacks were least likely to

16 percent of blacks.

Blacks and Hispanics Found More Likely to Fight

The Associated Press ATLANTA - Black and surveyed teenagers' use of al-Hispanic high school students are more likely than their white counterparts to be a weapons or fighting, while whites are more likely to hurt or club, compared with 22 themselves by driving after percent of blacks and 17 perthreat to others by carrying themselves by driving after drinking alcohol, a govern-ment study found.

his strong support for the mil-itary and his conservative so-in fights. Almost one of every cent for whites. cial views to persuade voters five carries a weapon or that the values he holds are drives after drinking. Almost closer to the mainstream than one in 10 attempts suicide.

those held by Ms. Boxer.

Ms. Boxer points to Mr.

Fong's opposition to gun constudents nationwide, were retrol, campaign finance reform leased Thursday by the Cenand laws that protect the en- ters for Disease Control and "The lesson here is that too

"The biggest threat I face is many youths continue to not Matt Fong. It is voter practice behaviors that put apathy," she said Thursday, them at risk — for injury or predicting that a higher turnout death now and chronic diswould help her, adding, "The ease later," said Laura Kann, state is pretty much evenly di- a chief researcher for the Navided along party lines. But I tional Center for Chronic Disthink the more I'm compared ease Prevention and Health

The 1997 study looked at

behavior leading to injury and panics to smoke frequently or chew tobacco, with 20 percohol, tobacco and drugs and cent of whites saying they sexual and physical activity. smoked frequently, com-Hispanics were most likely to arm themselves, with 23 pared with 11 percent of His-

Among blacks, 7 percent smoked frequently and 2 per-cent chewed tobacco.

ant of whites.

Blacks were most likely to had used cocaine in the 30 The similarities among have fought in the previous days before the survey, teenagers were equally stark:

year, at 43 percent vs. 41 perdouble the number of whites and nine times the number of blacks. Hispanics also were Whites were most likely to more likely to have used sterhave drunk five or more oids or injected drugs.
glasses of alcohol on at least Nineteen percent of

Nineteen percent of whites and 18 percent of Hispanics mushrooms, speed, methamphetamines or heroin. Only 3 percent of blacks

mix alcohol and driving. Nine compared with 19 percent of whites and 18 percent of His-The differences could be only 29 percent of whites and

status" and urban living, Ms. blacks said they did. White teenagers were filled out confidential ques-nearly twice as likely as His- tionnaires for the survey. paper, which told readers she

And Well and 72

His Death Is Reported Periodically

Fidel Castro Is Alive

By Mireya Navarro New York Times Service

MIAMI — The first time Elizabeth Gueits heard that Fiin school and 6 years old.

Gueits, 32, an insurance agent. "We started to jump up and down, but I got home and it wasn't true.

Since then, she said, she has heard similar reports about 15 times — "that he was dying, that he was in the hospital, that he was in a coma.

"Until I see him in a coffin," Ms. Gueits said, "I won't believe it."

In Miami, the adopted homeland of many Cubans who left their country because of Mr. Castro, his death or near death has been grossly exaggerated periodically for the nearly 40 years that he has been in power.

Every so often a rumor cancer," and that he had six about his impending demise months to two years to live. or actual expiration spreads like wildfire, only to be debunked by the appearance of a fit-looking Mr. Castro delivering a six-hour speech.

While exiles try to will him dead, and some have even plotted to kill him, Mr. Castro turned 72 Thursday.

The latest collective disappointment stemmed from an article on July 19 in the Spanald, a report that was reprinted by its sister paper, The Miami Herald, and picked up by other news organizations.

In the front-page article, a "It's all a grand show to try
woman identified as a defectto confuse and create probing Cuban surgeon, Dr. Eliza-beth Trujillo Izquierdo, said survey: 38 percent of whites had tried other illegal drugs that Mr. Castro had been said they had, compared with such as LSD, PCP, Ecstasy, treated last October for hyhad tried other illegal drugs that Mr. Castro had been ever." pertensive encephalopathy, a potentially fatal illness affecting the brain.

The woman, it turned out, Asked whether they are the had really been a secretary in minimum five daily servings a Cuban paper factory who of fruits and vegetables re- suffered from "personality commended for good health, problems," her former hus-only 29 percent of whites and band later said. Roberto Fab-"a marker for socioeconomic 28 percent of Hispanics and ricio, El Nuevo Herald's managing editor, said the Teenagers at 151 schools woman had duped his news-

grees, her passport and her Cuban identity card as 'proof' that she was who she

claimed to be. Mr. Fabricio said that part del Castro was dead, she was of the problem in covering such a story was the limited "On the radio they said access to government infor-Castro had died," said Ms. mation in Cuba, where Mr. Castro's health is treated as a state secret. At the same time, any news about Mr. Castro is of immense public interest in Miami, Mr. Fabricio said.

"No one in Miami in terms of the Cuba story is more important than Fidel Castro. Mr. Fabricio said. "The only agent of change that one can identify in Cuba is the death

Based on an interview with an exile leader who cited "confidential sources," El Nuevo Herald reported in another front-page article in 1996 that Mr. Castro had undergone surgery and chemo-therapy for "extensive lung

In an interview last week the leader, Arturo Cobo, said whose identity he said he could not disclose for security reasons because the person is

in Cuba. "There's still a month left," Mr. Cobo said. "Let's

see what happens.' Luis Fernandez, a spokesman for the Cuban Interests ish-language El Nuevo Her- Section, Cuba's diplomatic mission in Washington. called any talk of an illness 'lies, propaganda, desire to misinform.

> "It's all a grand show to try lems," Mr. Fernandez said. "His health is better than



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# E. SHOOT

### Away From Politics

up in the U.S. Senate.

Quote / Unquote

 Two boys, aged 7 and 8 who are accused of murdering an 11-year-old girl were released to relatives and will be under electronic monitoring while they await trial on (AP) Aug. 28 in Chicago.

• Redbook, a women's magazine, reports that men who are artists, mechanics or truck drivers make the best lovers, though the truckers send to fall asleep quickly afterwards. Doctors are poor lovers. Men who work with computers are even worse, the survey says. (Reuters)

 A man who killed his son during a drunken rage outside pis wife's home in 1990 was Executed by injection in Raleigh, North Carolina. Zane Brown Hill, 62, spent his last day visiting with his wife, daughter and surviving



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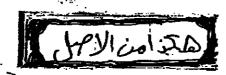
Christians and Jews of America must reach for the courage of Jesus and Moses in order to diffuse the spell of mutual distrust that continues to embroil all of the Children of Abraham.

Their frequently misplaced righteousness and one-sided sense of moral culpability perpetuate the painful plight of every innocent victim in the Holy Land.

America's Christian and Jewish leaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will lead to further suffering and vindictive bloodshed in what was once the land of milk and honey.



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# South Korea Fetes Its 50th

# During Tough Times, Hopes for a Second 'Miracle'

By Don Kirk International Herald Tribune

SEOUL - Suddenly an often-criticized leader from the desperate era of the Korean War is emerging as a respected figure among South Koreans looking for the origins of the "Korean miracle" during a period of economic turmoil.

The legacy of Syngman Rhee — Lee Syng Man to Koreans — assumes fresh significance as Koreans celebrate the 50th anniversary Saturday of the day Mr. Rhee became the first president of the newly formed Republic

'He was the architect of modern Korea," said Lew Young Ick, director of the Institute for Modern Korean Studies at Yonsei University and author of a book on Mr. Rhee, "He was the best prepared man to lead Korea through the war and into the new era of peace."

The new respect accorded Mr. Rhee, whose rule became increasingly autocratic until he was forced into exile by student-led riots in 1960, is just one aspect of an outpouring of patriotism sucrounding the founding of the Republic of Korea, the formal name for South Korea

It's as if the celebrating might in some way ease the pain of what Koreans call "the IMF crisis," the enormous shortfall of funds that forced Seoul to ask the International Monetary Fund in December for a rescue package of nearly \$60 billion in

'In the last half century, Koreans have recovered their pride," said Kim Ki Hwan. ambassador-at-large and a key figure in arranging the

IMF negotiations. For the past two weeks, South Korean flags have been sprouting from taxicabs, apartment buildings, shops and factories as citizens remind one another of just how far the country has advanced from the years of abject poverty and suffering brought on by the Korean

"In 1948 we established a new government with a bright future," said Choi

Korean Overseas Cultural and Information Service. Half a century later, Korea's leaders are saying the country can do it all over again.

"Let us begin the second nation-building," President Kim Dae Jung plans to tell the nation at ceremonies Saturday, urging Koreans to believe in everything he has been asking, ranging from economic restructuring to exchanges with the North.

For some specialists studying the era of the first president, realization of how far South Korea has advanced is enough to inspire confidence.

"This anniversary is a very significant turning point," said Choi Chong Ko, who teaches legal history at Seoul National University. 'Now we can remember Rhee Syngman as a very great man in our history, especially in politics and hu-man relations. We can look back on what he did and in the long run have an optimistic

The show of nationalism this year transcends the usual patriotism displayed on Aug. 15, also the official national day marking the anniversary of Japan's World War II surrender and the end of 35 years of Japanese rule over the Korean Peninsula. Newspapers have been serializing histories of South Korea's leap from poverty and suf-fering to relative prosperity, and television documentaries have been dramatizing the

peared by the end of the war in July 1953 to be incapable of surviving on its own. The government is whipping up the spirit with a commercial featuring the cham-pion golfer Pak Se Ri taking off her shoes before stepping in the water and chipping the ball from the rough, all to background voices singing a song once adopted by anti-government radicals. "Al-though we have a long way to

success of a country that ap-

go," run the lyrics in rough translation, "in the end we can triumph." On the streets of the capital, Koreans mingle pride with concern as they look back on a turbulent history flooding in Daqing, where the oil field is lomarked not only by war but cated. About 20,000 people were evacuated and

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coups, anti-government demonstrations and labor unrest as well as the emergence of democratic forms of gov-

ernance.
"We are having difficulties and suffering from unexpected problems like the floods," said Kim Young Jin, referring to torrential rains that have taken the lives of nearly 200 Koreans, devastated 46,000 hectares (114,000 acres) of farmland and left thousands homeless. "I only hope the anniversary

cause of all these problems.' The shopkeeper has flown a pair of Korean flags above the door of his store since

will not be undermined be-

Aug. I.
"Every year I fly the flags
the day before," he said,
"but this year is different, so I put them up earlier."



COMMEMORATING MARY — Nuns and choirgirls preparing for a sunrise Mass on Friday for the 200th anniversary of an apparition of the Virgin Mary in La Vang, Vietnam. The local priest estimated that 150,000 people would attend the three-day event, which ends Saturday.

# Seoul Frees 103 Prisoners Who Signed Oath

The Associated Press SEOUL - President Kim Dae oners who had signed an oath to confinement. They refused to sign obey South Korean laws, including the oath. one that makes it a crime to espouse

the 53d anniversary of Korea's independence from Japanese colonial rule in 1945.

BEIJING — A levee protecting China's

largest oil field gave way Friday, prompting thousands of people to evacuate as floods

spread to the country's northeast, the state-run

Heilongjiang, an industrial and agricultural province that borders Russia, mobilized a mil-

lion civilians and soldiers for a "round-the-

clock fight" against the flooded Nen and Songhua rivers, Xinhua said.

More than 200,000 people were fighting

Wellington Government

WELLINGTON - The New Zealand

government's future was in doubt Friday

after Prime Minister Jenny Shipley dis-

missed Winston Peters, the treasurer and

deputy prime minister whose party is a key

Ms. Shipley, who leads the majority Na-

tional Party in the center-right government,

said she was prepared to continue in a

National Party minority government if dif-ferences with Mr. Peters' New Zealand

Ms. Shipley's National Party has 44 seats in the 120-seat Parliament but can rely on

another 10 independent and rightist leg-

islators to back her on key issues of con-fidence and fiscal supply. (Reuters)

Taleban Tries to Talk

Rivals Into Surrender

KABUL - Taleban fighters said Friday

that they wanted to use persuasion, not force, to take their opposition's few re-maining strongholds in Afghanistan.

"We don't want more people to die," said Mullah Abdul Satar, the Taleban general commander at the front line just north of

Kabul, the capital. "We are ready to fight,

First party could not be resolved.

member of her coalition.

fidence and fiscal supply.

Teeters in the Balance

Missing from the list of those Park Sang Chun said in a nationally miliating.

Xinhua news agency reported.

granted amnesty were an estimated 400 political prisoners, including But human rights group Jung approved a sweeping amnesty
Friday that freed 103 political prismore behind bars, often in solitary

The 103 political prisoners who a prerequisite for release. did vow to obey the law were The amnesty, which affects among 2,174 inmates to be freed. Thirteen more inmates will have of prison, will take effect Saturday, 4,820 people will have their civil rights restored.

The amnesty is aimed at South Korea has marked past achieving a grand national con-rights group, Minkabyup, also de-anniversaries with similar par-ciliation in the midst of a national nounced the oath, saying that many economic crisis." Justice Minister political prisoners regard it as hu-

protect it, the report said.

state media said.

BRIEFLY

washed out railroad tracks in Heilongjiang,

but we want to prevent human casualties."
Mr. Satar said he was in touch with

several opposition commanders, trying to

persuade them to open the key Salong High-

said the opposition has no more reason to resist now "that we have 90 percent of the

Peru Hopes for Accord

BUENOS AIRES — President Alberto Fujimori of Peru said Friday that he hoped a

peace accord with Ecuador could be signed

within weeks, ending a half-century border conflict that sparked three shooting wars.

On a whiriwind round of South American diplomacy, Mr. Fujimori sounded upbeat about defusing this week's flare-up of border tensions that exupted when Peru said

some 300 Ecuadorean troops had entered its

Peru subsequently refused to continue

talks to end the border standoff until Ecuador withdrew troops from a disputed

zone. Ecuador maintained that its troops

were not in Peruvian territory and had re-

Argentina at his side, Mr. Fujimori said in

Buenos Aires that it was "realistic to think

that a final accord could be signed in September." (AP)

With President Carlos Saul Menem of

territory in a "clear provocation."

fused to remove them.

September.

Over Ecuador Border

territory of Afghanistan."

way leading north from Kabul. Mr. Satar

But human rights groups expressed disappointment, saying that many political prisoners chose to remain in jail rather than swear to obey draconian security laws as

The oath requires prisoners to respect the national security law --a law which is used frequently to jail people for exercising their free-dom of expression," Londonbased Amnesty International said.

South Korea's largest human

'How can they swear an oath to obey the very law against which they have fought? "asked Nam Kyu Sun, a Minkahyup spokeswoman. South Korea's national security law bans any activity that might

North Korea. The law has often been used by past military governments to suppress political dissent. It is so broadly interpreted that even pos-

benefit its enemy, communist

The 17 long-serving political prisoners were convicted of being North Korean spies in the 1950s

# session of Marxist literature is a

### Levee Around China's Major Oil Field Bursts the dike, which expanded to 1,650 feet (500 A flood near Aksu, in the northwestern re-

meters) by midday, Xinhua said.

The floods forced the closure of 155 of Daqing's nearly 20,000 oil wells, and workers

gion of Xinjiang, killed four people and left dozens missing Thursday, inundating an area inhabited by about 100,000 people, the official were building a barrier near the oil field to Workers Daily reported. Floods and landslides also forced the closure Rescue workers also were evacuating more

of a major rail line in the northwest, between than 20,000 people stranded after floods Xinjiang's capital, Urumqi, and the city of Lanzhou, the reports said.

With a rain belt stretching across central More than 2,000 people have been killed and China, floods were predicted to continue and to millions have been left homeless in the worst worsen in the northeast and along the Huang floods in 44 years. In Hunan Province, one of River, which was expected to become dan-

# Tailwind Spurs Balloon

In Global Flight Quest The Associated Press

ST. LOUIS, Missouri — Steven Fossett's solo attempt to circle the globe in a balloon has enjoyed a renewed lift, thanks to a fast-moving easterly wind.

Mr. Fossett's speed roughly doubled Friday as his balloon, the Solo Spirit, soared toward Australia from its starting point in Mendoza. Argentina, according to the project's mission control at Washington University in St. Louis.

Mr. Fossett managed to push the balloon up to its highest altitude so far, 28,800 feet (8,780 meters), catching the most favorable wind yet in his battle to get away from a troublesome high-pressure area that threatened to stall his progress. On Thursday, the balloon had been languishing at about 60 kilometers (37 miles) per hour over the Indian Ocean.

per hour over the Indian Ocean.

"The last three days have been an exercise in altitude selection," said Bob Rice, chief meteorologist for the project. "Steve's successfully worked his way through three separate traps. We're still in the hunt for a global flight."

The Chicago millionaire, making his fourth attempt to fly around the globe, is approaching the halfway point. Mr. Fossett, 54, is not in voice contact with his ground crew. But electronic mail relayed by satellite indicated that tronic mail relayed by satellite indicated that his mental condition, which had been a concern to crew members, had improved with some sleep.
"Fuel O.K., oxygen O.K., got four hours of

sleep last night and physical condition is very good," Mr. Fossett wrote in a message.

Agence France-Presse

during World War II.

100 others.

bols near the camp.

caust Memorial in Jerusalem

have asked that the crosses be

the crosses ignored pleas by Poland's top church official

# 18 Activists Sentenced in Burma and Thrown Out

RANGOON - Moments after sentencing 18 foreign activists to five years of hard labor Friday for handing out democracy leaflets, Burma's military government said they would be deported Saturday.

The drama of the seven-hour trial was enhanced when immediately after a judge read out the prison terms, the lights in the Rangoon courtroom sud-denly went out. There was murmuring among the diplomatic observers, who appeared shocked at the severity of the

After a few moments' delay, the lights came back on, and an official from the Ministry of Home Affairs strode to the front of the courtroom and read an order reducing the sentences.

The order, signed by Home Affairs Minister Tin Hlaing, said the activists - six Americans, three Malaysians, three Indonesians, three Thais, two Filipinos and one Australian - would be expelled on the condition they would not violate Burmese laws again.

If they did, he added, they would have to serve out any future prison terms passed upon them together with the five vears from this offense. He asked diplomats from the activists' home comtries to arrange for their deportations.

The defendants, who appeared solemn when the judge read the original sentence, jumped up, embraced one another, shook hands and thanked those around them in the courtroom.

They were also embraced by diplomats from their respective countries, who attended the trial in a small concrete courthouse outside the walls of Insein Prison north of Rangoon.

In Washington, the White House spokesman, Michael McCurry, said the United States was relieved by the decision to deport the activists. "While we're pleased that these American citizens will be returning to the United States, this episode is a reminder that there is an absence of protection of human rights in Burma and a failure of the Burmese government to allow freedom of expression," Mr. McCurry said.

A U.S. Embassy spokeswoman said

all 18 detainees would be leaving Rangoon on Saturday for Bangkok. They would spend their last night in the Burmese capital in a police guest

Kobsak Chutikul, a spokesman for Thailand's Ministry of Foreign Affairs, the worst-hit regions, 625 people have been gerously swollen in the next few weeks; they said the feel a sense of relief that our also feel the Burmese have demonstrated a sensitivity to the concerns of the international community, and in particular its ASEAN neighbors."

The Association of South East Asian Nations, which ignored international outcry over Burma's human-rights re-. cord last year to make the country a' member, has more diplomatic influence with the ruling generals than Western.

The activists were detained Sunday. the day after the 10th anniversary of a; failed nationwide democracy uprising? for handing out small cards to Burmese citizens telling them the outside world. supported their struggle and not to give

Burma has been ruled by the military. in various guises since 1962. More than 3,000 demonstrators were gunned down. during the 1988 uprising.

The foreigners were charged, after six days of questioning and investigation, with violating section 5j of the 1950 Emergency Provision Act.

The sweeping law allows for maximum 20-year jail terms for inciting unrest and disturbing the peace and tranquility of the state.

quility of the state. The reduction in sentences seemed to

be helped by a defendant, Chong Kok-Wei, a 27-year-old Malaysian man, who appealed to the judge.
He said he and his colleagues meant

no harm to the Burmese people, did not, intend to incite unrest and were unaware

The official from the Ministry of Home Affairs then read the order de-

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# 10 More Crosses at Auschwitz

# Poles Defy Appeals by Cardinal and Jewish Groups

WARSAW - Roman Catholic activists have planted 10 more towering crosses near the former Nazi death camp at Auschwitz, where Jews from throughout Europe and tens of thousands of Polish Christians were murdered by Germans

and international Jewish groups, the Polish News Tel.: (1-212) 752 3890 or 800 572 7212 Agency reported.
Catholic Solidarity unionists and Canadian and U.S. activists of Polish descent erected the crosses, which are



The action came despite a plea Tuesday by the Polish primate, Cardinal Jozef Carbolic activists want to

The cardinal stressed in a near the death camp to comstatement the action "deval-memorate 152 Catholics exsymbol, The Christians who put up

The Polish bishops conference will decide what to do

# Ukraine Frees Tax Dodgers

KIEV - Hundreds of 4 meters (13 feet) tall and join Ukrainian regional officials and company directors were let out of a military-style Their actions have angered Jewish groups worldwide, camp late on Thursday, only a Washington, Miles Lemman, which argue that the crosses day after being told they contravene a ban on political, would be forced to stay until contravene a ban on political, ideological or religious symthey worked out a way to pay back wages and taxes.

The Israeli government Rounded up by Valeri and the Vad Yashem Holo-Pustovoitenko, the Ukrainian prime minister, the officials emerged to find they will probably lose their perks.

Catholic activists want to Glemp, that Catholics refrain put up a total of 152 wooden from putting up more crosses around a controversial 8-meter wooden crucifix

ues the cross as a religious ecuted in the camp in 1941. The growing display of crosses stands in front of a former convent that closed down because of similar com-

The main cross, which had adorned the altar of an open air mass at Auschwitz held by Pope John Paul II in 1979,

near the former death camp. In a letter to Prime Minister Jerzy Buzek, the president of the Holocaust Museum in was a condition for renewing talks on the "Auschwitz

That document, under

was crected 10 years later

Charter." preparation, will define the status of the death camp and its\_relationship to the resi-dents of the camp area.

half praced th

# enced State-of-Art Embassy in Jordan Trades Pulse of City for Peace of Mind ing to the library. English lessons, lectures, movies and conferences. who knows Amman well, "then it's a bit ing to the library. English lessons, lectures, movies and conferences. Some diplomats were concerned that it is some diplomats were conce

AMMAN, Jordan -- When it opened in 1992, the U.S. Embassy in Jordan was immediately dubbed "Fort Apache" by some of the diplomats who worked

Fort Knox is more like it.

A security-man's paradise, the statesolid steel doors, some thick enough to bassy withstand a half-hour assault by marounds and bunkered havens stocked cations equipment to keep trapped dip-rounding roads; the \$50 million embassy about," said one American diplomat

Kenya and Tanzania, where bombs last Friday killed 257 people, the embassy in Amman sits atop a hill, regally remote from the sweltering city below.

"There's a lot to be said for a facility like this," an American diplomat said. A security-man's paradise, the state-of-the-art embassy meets every safety happened in Kenya — no one ever gets standard U.S. experts could dream up: anything like that close to this em-

chine guns and battering rams, windows not universally acclaimed as a userand walls designed to repel artillery friendly place especially for Jordanians. ments that had been rounds and bunkered havens stocked Spread out over about 5 hectares (12 the city before 1992. with enough provisions and communi-

embassy is within walking distance of practically no one. Some locals, who watched warily as the embassy took shape on a former sheep pasture during the Gulf War, suspected that a huge round warehouse in the back of the complex was a missile silo.

For Americans who work there, the embassy is a mixed bag.

True, it is safer, and it has improved The trade-off is that the facility here is efficiency by gathering together seven or universally acclaimed as a user- or eight facilities, agencies and departments that had been spread out all over

"But if you're supposed to be out and

Before the embassy opened July 4. 1992, most U.S. diplomats worked in a cramped office building in the center of

town, across the street from the Intercontinental Hotel. A small car bomb had exploded in the hotel's parking lot, so the old embassy's facade was heavily

But Jordan, a moderate Arab country and a major recipient of U.S. assistance, is not considered an especially risky posting for Americans, and the old embassy felt the city's pulse.

Applicants for visas to the United States would drop by on their lunch breaks to pick up a form. Diplomats wandered out at lunchtime to the grilled-meat sandwich stands down on the corner. A block away, at a low-security building that housed the American Cultural Center and the U.S. Information Service, an elderly security man seated behind a desk nodded lazily at visitors coming and go-

"It was easy access, and it was very Every six months they'd send somebody from Washington, a security officer, to check the fire escapes and change the doors."

"That's all changed now," she adthey know me and I have business there, I have to go through so many doors and gates. It's intimidating."

Construction on the new embassy in Amman began in 1988, five years after the devastating bombing of the U.S. Embassy in Beirut and shortly after a commission headed by a retired admiral, Bobby Inman, urged that security at U.S. facilities around the world be radically reinforced.

Admiral Inman's detailed recommendations were incorporated into the communications and public works.

was too far from the center of town. The nice," said Khalwa Abu-Qura, who was too far from the center of town. The worked at the U.S. Information Service only other major buildings within huning the late 1970s and early 1980s. and a private club. Sheep wandered, through the construction site.

In the new embassy, everything wasconsolidated. The complex appeared so vast, in fact, that it seemed to some like ded. "Now it's, my God, even though overkill. At the time just 90 Americans and 150 Jordanians worked full time at

But today there are more than 125 fulltime Americans, plus many others who rotate through on short assignments.

About 230 Jordanians work there. What's more, the opening of the em-bassy has heralded a local real estate boom. Roads have been improved and luxury villas built in the neighborhood along with new headquarters for the-Jordanian ministries of transportation,

# Mourners Flock to Kenya Bomb Site

erance. Nearby, an FBI evidence response team labored over debris with rakes, continning their search for evidence. With rescue operations wrapped up

NAIROBI — In a show of unity and 257, the focus Friday was on cleanup a group of Kenyan women, each cargrief, Christian and Muslim members of work and the all-out push to learn who rying a red or white rose and many the Kenyan Parliament laid a huge wreath of red and white roses Friday at the site of the U.S. Embassy bombing.

The legislators sang "We Shall Overcome" and prayed for unity and tolored with the street of the U.S. Embassy bombing.

The legislators sang "We Shall Overcome" and prayed for unity and tolored with the street of bomb complete examination of both bomb complete examination of both bomb complete examination of both bomb complete.

sites and witness interviews, and from that we will develop leads," Thomas Pickard, the assistant FBI director, said

# U.S., Citing Islamic Threats, Closes Embassy in Albania

TIRANA - The United States temon Friday, a week after two U.S. embassies in Africa were attacked by

American diplomats cited a potential Islamic terrorist threat as the reason for the closing. An embassy spokesman said the decision was made after threats by Islamic militants against the United States and press reports that the United bania and extradited to Egypt last month Secretary of State Madeleine Albright States had been involved in the arrest of in operations reported by the Tirana Islamic fugitives in Albania, a largely press to have been conducted with the Muslim country.

The spokesman said the State Department had ordered all nonemergency personnel and employee dependents to .

izens in general about the dangers of four Egyptians in Luxor, Egypt.

traveling in Albania at this time. Given recent declarations by Islamporarily closed its embassy in Albania ic extremists against the United States and its citizens and press reports alleging U.S. government participation in the recent apprehension and detention of several Islamic extremists, it is possible that U.S. Embassy facilities in Tirana, Al-bad 700 interviews to conduct in Nairobi bania, could be among the targets of a and 200 in Dar es Salaam.

terrorist attack," the spokesman said.
Four Islamists were arrested in Alassistance of the U.S. Central Intelligence Agency

An Interior Ministry source said that three of those apprehended in Albania were suspects in a massacre last Novem-It also issued a warning to U.S. cit- ber that took the lives of 58 tourists and

and the death toll apparently fixed at In another sad pilgrimage to the ruins, weeping, offered prayers for the dead at an ecumenical service. "Women in

Pain," read a banner they carried. Meanwhile, a warning from the U.S. State Department against visiting Kenya also created ill will. Tourism is vital to Kenya's economy and there were fears the warning would deal it a crippling blow. The U.S. ambassador, Prudence Bushnell, announced Friday that the warning had been lifted.

On Thursday, Sheila Horan, the FBI special agent in charge of the investigation, said investigators had gathered very critical and important informa-

tion" on the bombers' identities.
The FBI has 215 agents, lab examiners, evidence technicians, computer specialists, photographers and translators in Kenya and Tanzania, Mr. Pickard said in Washington, and a British forensic team was expected to join the 22 FBI lab examiners in Kenya and Tanzania shortly.

Mr. Pickard said agents on the scene

### Albright Going to Africa

the sites of two massive embassy bombings last week that killed more than 250 people, Reuters reported from Wash-

Officials said Mrs. Albright was expected to leave Washington on Sunday and visit Tanzania first, Kenya second.



Laurent Kabila, Congo leader, leaving a resort in Zimbabwe a week ago.

# French Conservatives in New Turmoil

By Craig R. Whitney
New York Times Service

PARIS — France's conservatives. defeated last year by Prime Minister Lionel Jospin's Socialists, are realing party membership card in two publicly take in a regional a who accepted support from the ex-

treme right to keep his post.
Gilles de Robien, former parliamentary floor leader for one of the conservative umbrella groups that supported Mr. Jospin's predecessor, Alain Juppe, snipped his plastic Liberal De-mocracy Party card during a France 3 television broadcast. "I have nothing more to do with this family, which has no more republican ideals," he said.

The party, led by former Finance Minister Alain Madelin, admitted Jacques Blanc, president of the assembly for the Languedoc-Roussillon

region, on Thursday. Mr. Blanc and two other conservative regional assembly leaders were porting stronger policies to control imexpelled from the mainstream conservative umbrella group, the Union for French Democracy, in March after ie Le Pen, has a platform calling for the Charles de Gaulle, who never for they accepted support from the far-

right National Front to keep their posts despite conservative losses to the So-cialists and other leftist parties in re-

Mr. de Robien had once been parliamentary floor leader for the Union again after one of their leaders cut his for French Democracy, which splintered after the regional elections Friday to protest the party's decision to because Mr. Madelin and his party

servative ranks, President Jacques blessing in May to the foundation of a new nmbrella organization called the Prominent supporters of Mr. Chirac new umbrella organization called the Alliance. But the Alliance appeared bers saying they no longer considered Mr. Madelin's group a part of it.

Many mainstream conservative leaders maintain that they can never of blather over nothing." again win a majority in national elections unless they either accept tacit support from the National Front or woo the people who vote for it by sup-

migration and crime.
The National Front, led by Jean-Mar-

millions of immigrants who have come to France since the end of colonialism. The National Front blames unemployed youths in ghettoized French suburbs for much of the country's domestic crime problem, and says that "native French" people should have preference for jobs and welfare benefits

Mr. Le Pen is also against moves that Concerned about the turmoil in conther European integration, pledging to rvative ranks, President Jacques restore border controls with France's Chirac, the only conservative leader EU neighbors if he comes to power and still holding national office, gave his denouncing the common European

share at least a few of these ideas, increasingly shaky after the latest making the issue of how to deal with squabble, with some prominent mem- the National Front one of the conservatives' most difficult dilemmas. Mr. Blanc said Friday that the controversy over his admission was "a lot

> Just as difficult, some conservative legislators say, is how to build an effective opposition when their leader, Mr. Chirac; is forced to work with the Socialist government by the terms of the 1968 French Constitution - designed for Mr. Chirac's mentor, the late Charles de Ganlie, who never found

# CONGO: Thousands Are Fleeing Capital

Continued from Page 1

details about the action, but Western Goma on Friday, and a foreign military expert and a local aviation specialist here both confirmed that there was an abundance of mysterious flights from the

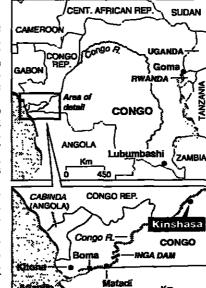
What the rebels have accomplished so far has been done with surprisingly scant means. According to Angolan soldiers who visited the strategic western power city of Boma, by the border with Angola, rebels were holding that town with as few as 100 men.

Similarly, the nearby provincial capital of Matadi, a major western city, "fell" to the rebels Thursday after a relatively minor clash. By all accounts, government soldiers

in the area far outnumbered the rebels, but panicked and fled their positions, looting shops and vehicles in their On Friday, to general disbelief, the

government announced that much like the Inga dam, it still controlled Matadi. 'Kabila made the mistake of counting on numbers rather than quality when us.' he put together his army," said one Congolese colonel who gave the regime

little chance of defeating the rebels. "They discarded the notion of elite corps and specialization, destroying everything they found without distinction. The problem now is that our neighbors have serious armies with experienced



units, and it is easy for them to dominate

ANGOLA

The notion of foreign domination has always been at the heart of this conflict, with Mr. Kabila, himself installed a year earlier in the same kind of operation, complaining bitterly of an invasion by neighboring Rwanda, with the help of Rwanda and perhaps Western benedic-

sors, the United States and Britain.

The two governments, according to knowledgeable officials, acknowledged tion as well.

# **JAPAN:** Corruption Investigation Fizzles

Continued from Page 1

the investigation. But as the head of the Tokyo prosecutor's office, he essentially directed it. His transfer brings the inquiry substantially to a close.

These days, he works in a city that is bypassed by the bullet train, where only six flights a day land at the airport. Back in Tokyo, the lights in the special prosecutors' offices go out early. There has not been a prominent arrest in months. Although Mr. Kumazaki's investigation has apparently fizzled, there is some possibility that there will be other efforts

to crack down on bankers and bureau-

crats, as a result of the government's

plans to clean up the banking system.

Those plans, which could be carried out in the autumn if approved by legislators, may lead to disclosures of un-of anonymity. The investigation "de-sound or dishonest banking practices stroyed the old establishment." and bureaucratic complicity in those

In any case, Mr. Kumazaki's investigation did have one long-term con- culture for a long time. sequence. It made bureaucrats far more careful about accepting meals or entertainment from executives.

Their hesitance about accepting dinners arises in part because prosecutors bribes that were not in cash but in the of the current investigation.

form of regular dinner invitations, funches and golf outings. No cash ever changed hands, and the dinners in some cases amounted to several hundred dollars - which is not an outlandish figure in Tokyo's high-priced restaurants. For the Finance Ministry mandarins,

though, probably the worst part of the

punishment was that their names were

published in the newspapers, along with the punishments received. Ministry officials say that morale is low and that attitudes are indeed changing. The Finance Ministry and the central bank are not attracting the elite

graduates the way they used to. The best students are taking jobs elsewhere. "This is a kind of cultural revolution in Japan," said a senior Finance Ministry official, who spoke on the condition

prosecutors for a major daily newspaper. "Entertaining has been a part of the crats on suspicion that they had accepted don't think it will go away just because

# IRAQ: U.S. Pressured UN

Continued from Page I

give "immediate, unconditional and unrestricted" cooperation to the inspection

That last resolution, at U.S. insistence, promised "the severest consequences for Iraq" for further defi-

Last week, as Mrs. Albright reportedly sought to rein in Mr. Butler, the administration was retreating from the vows it made six months ago to strike immediately and with significant military force if Iraq failed to honor a Feb.

23 agreement that resolved the last such crisis over inspections. At that time, administration spokesmen described a "snap back" policy of automatic military retaliation if President Saddam Hussein violated his agreement with Secretary-General Kofi

Now the administration argues, as a White House spokesman, P.J. Crowley; said this week, that Iraq is proposing "acat-and-mouse game" and "we're not going to play." He said the United States would continue its "encouragement" of traq's compliance with its obligations and would not allow economic sanctions to be lifted until it did so.

Mrs. Albright, in a one-sentence statement issued through a spokesman, said-Wednesday night: "U.S. policy has been to fully support Unscom in its inspections, and I have never told Ambassador Butler how to do his job."

She and those speaking for her de-clined to answer further questions about her Aug. 4 "private discussions" with Mr. Butler and would not address specifically whether she had advised him to cancel the planned raids.

Mr. Butler, reached by telephone, said-, any suggestion that he received orders. from Mrs. Albright would be "a very considerable distortion of what took

"No member of the council, including the United States, has purported to." give me instructions," he added. "They -

job is operations. Asked whether Mrs. Albright urged him or advised him not to go forward. Mr. Butler said any answer "would be a " very slippery slope" in which "I'd have to tell you what the Russian ambassador. said, what the French ambassador said.

Forgive me, but I won't get into that."

Beginning in June, according to knowledgeable officials, the UN inspectors developed secret plans for surpriseraids at two sites where they believed. they would find evidence of forbidden; chemical and biological weapons and the ballistic missiles capable of deploy-ing them. The officials declined to describe the sites further, noting that they .

are still in operation.

Mr. Butler dispatched senior lieutenants to London and Washington in lateJune to provide highly classified briefings on the intended inspection "targets," the sources said.

Formally, Mr. Butler reports equally to all members of the Security Council and does not give them advance op-Butler understands "it's suicide to goforward with an inspection like this' without informing his principal spon-

to Mr. Butler's deputies that the UN commission had the right to make its own decisions. But they worked in concert in the weeks that followed to dissuade Mr. Butler from going forward.

with the inspection plan.

After a meeting with Ambassador Peter Burleigh, the second-ranking U.S. delegate to the UN, Mr. Butler was left with the plain understanding that Washington did not support his plan.

Mr. Butler canceled the raids in July but laid contingency plans to reschedulethem this month after meetings Aug. 3-4. in Baghdad with Deputy Prime Minister Tariq Aziz. Mr. Aziz announced late on the first day that Iraq would answer no 5 further questions about its forbidden 🐔 weapons, asserting that all the answers had long since been made.

On Aug. 4, Mr. Butler notified the U.S. government that he had authorized; a team to conduct the raids Aug. 6. That same day, he got word that Mrs. Albright wished to speak with him and traveled to the U.S. Embassy in Bahrain for a secure 2 telephone discussion. Mrs. Albright ar- ? gued, according to knowledgeable ac-But critics say such sentiments will be counts, that it would be a big mistake to short-lived, mainly because business en- proceed because the political stage had tertainment has been part of the Japanese not been set in the Security Council.

Mr. Butler agreed to a three-day delay "I think things will go back to the old-fashioned way," said a Japanese jour-nalist who covers the courts and the with the Security Council. But after he briefed the council governments in New 3 York, he got another high-level Amer. like Mr. Kurnazaki pounced on bureau- Japanese custom for several centuries. I ican call urging him to have the inspection team stand down. The same day, he ordered the inspectors home.

# CLINTON: Testing the Mood for Telling All or Maybe Just a Little

Continued from Page 1

the threat of impeachment hearings based on a report to Congress from Mr. Even if the strategy of acknowledging

some sexual activities with Ms. Lew-

ton from perjury problems, he may face he discussed with Ms. Lewinsky ways that she could conceal a sexual relationship and avoid having to

turn over gifts that he had presented to her. After Mr. Clinton testifies on Monday, what else he should say is a subject of condebate. siderable Some aides have ar-

fering the public at least a brief explanation of his relationship with Ms. of sexual relations when it came up in the

Other Clinton advisers, including some outside the White House, have argued that he should say as little as possible about his testimony — that he or causes: should not do much more than smile and announce that he is leaving on vaca-

considered would be for the president to testify that he was telling the truth last January when he followed a precise definition of sexual relations that the presiding judge had approved in the

Jones sexual misconduct lawsuit.

believe, Mr. Clinton could plausibly as-sert that his contacts with Ms. Lewinsky

fession from the president might reduce did not constitute sexual "relations." The issue of how to deal with the testimony Mr. Clinton gave testimony in the Jones case in January is such a critical matter that Mr. Kendall reviewed a videotape of the testimony. He had already seen a transcript.

insky succeeds in inoculating Mr. Clin-In that deposition, when the president was asked whether he had an affair with other legal shoals. Mr. Starr's grand jury has also been investigating whether Mr. Ms. Lewinsky, his response seemed to Clinton might have obstructed justice if be straightforward: "I have never had be straightforward: "I have never had sexual relations with Monica Lewinsky.

The president's I've never had an affair with her." lawyers are seeking a But Mr. Clinton was responding to a definition of "sexual way to describe what happened that does relations" that was prepared by Ms. not come under the Jones's lawyers and then narrowed by U.S. judge's definition of District Judge Susan Webber Wright 'sexual relations.'

"For the purposes of this deposition, a person engages in 'sexual relations' when the person knowingly engages in "(I) Contact with the genitalia, anns

groin, breast, inner thigh, or buttocks of through clothing." any person with an intent to arouse or An option that is increasingly being gratify the sexual desire of any person; "(II) Contact between any part of the person's body or an object and the genitals or anns of another person; or:

"(III) Contact between the genitals or residing judge had approved in the ones sexual misconduct lawsuit.

Under that definition, some advisers

(III) Comment between the gentials of the person and any part of another person's body. 'Contact' means other person's body. 'Contact' means James Benti intentional touching, either directly or E. Sanger.



Monica Lewinsky, focus of a crisis.

Mr. Clinton's lawyer, Robert Bennett, objected, arguing that the definition was too broad and could include such benign activities as handshaking. Judge Wright agreed and limited the definition to Part

I, excluding the other two. This article was also reported by James Bennet, Neil A. Lewis and David



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# Russia's Ailing Economy

The ailing Russian economy seems to have nine lives, but they are rapidly running out. The latest crisis, less than a month after the International Monetary Fund provided a new bailout, is

Russian banks owe lots of dollars and are having trouble paying them back.

With some banks needing to repay loans this coming week, and with foreign lenders demanding additional collateral to roll over the loans, the banks appear to have been buying dollars from the Russian central bank as fast as they could early this past week. The central bank churisily tried to impose new restrictions on such transactions, only to provoke a new crisis of confidence.

The result Thursday was a virtual breakdown of Russia's financial markets, particularly for most government bonds. That makes it impossible to determine how much banks' bond portfolios are worth, a fact that makes lenders nervous. But to repay their loans, the banks need to sell their

All of this is happening when it is too soon to know whether Russia's latest reform efforts are working. The government says tax receipts are up sharply, which is encouraging but not conclusive.

Foreign currency reserves have increased, but that may be meaningless if the bank crisis intensifies.

George Soros, the international

# **Moderates on the Hill**

With Congress in recess, Washington is filled with threats of another government shutdown over the budget in October. Underneath the surface. however, a fragile majority of moderate Democrats and Republicans is emerging in both the Senate and House that could set a less confrontational tone when lawmakers return in September. On budget issues, moderate Republicans are warning sensibly against big new tax cuts and spending reductions in essential areas. It would be healthy for

Passage of the Shays-Meehan campaign finance legislation owed much to independent-minded Republicans in the House, In that vote, more than 60 Republicans ignored Newt Gingrich, the speaker, and voted with the Democrats. An equally large bloc of Republican moderates voted with House Democrats recently to save the National Endowment for the Arts and to defeat a-gayand religious conservatives. Moderates in the Senate, especially veterans of past budget battles like Pete Domenici and William Roth, refuse to go along with the big tax cuts advocated by the

budget-cutters in the House. Fights between Republican moder-

with an innovative but unrealistic proposal for Russia to devalue the ruble by 15 to 25 percent and then adopt a currency board. Such a scheme would require Russia to set aside enough foreign currency to redeem all rubles in

The depressed price of oil, Russia's principal export, may have left the nible overvalued, and devaluation may yet be necessary. But a currency board seems impractical. Mr. Soros estimates conservatively that Western nations would have to put up \$15 billion or so. on top of the money already committed by the IMF. More importantly, a currency board would effectively hand over Russia's monetary policy to the foreign central bank administering the currency to which the ruble was tied.

Selling that idea to the Communistdominated Russian Parliament would probably be impossible.

An immediate answer to the current crisis must involve a willingness by foreign banks to be flexible regarding their loans to Russian banks that are suffering from a liquidity squeeze but are otherwise solvent. The longer-term solution, though, is unchanged. The Russians must proceed with economic reform, and show the world they can do it successfully. Parliament should stop stalling and pass needed tax reform bills immediately.

-THE NEW YORK TIMES.

# ates and conservatives have so tied up the budget this year that none of the 13 appropriations bills financing the gov-

ernment after the end of September has been passed by both houses of Congress and sent to President Bill Clinton. Congressional Republicans could not even agree on an overali budget resolution. Meanwhile, moderates in the Senate support full funding for the International Monetary Fund to help it deal with the Asian economic collapse. House conservatives seem more in the Republican leaders to pay attention. thrall of the isolationism of Dick Armey, who recently commented: 'I've been to Europe once, I don't

have to go again." The White House may be in crisis, but it can count on the country's rallying against another budget siege by Republicans, who shut down the government in 1995. Recently, when some House Republicans were saying that this time they could reap political gains from bashing amendment pushed by social a shutdown, it was Mr. Gingrich's turn to cringe. The title of his recent book, after all, is "Lessons Learned the Hard Way." The paradox now is that while the conservatives brought Mr. Gingrich to power, the moderates are the ones who learned the lessons.

-THE NEW YORK TIMES.

# **Census Football**

The recent party-line vote in the House on funding for the year 2000 U.S. census points in an ugly direction. The question is whether to use sampling and other statistical techniques to adjust the national portrait for the undercount that has increasingly disfigured it in recent decades. Lowerincome and minority groups have been especially affected — underrepresented in the final figures.

The administration favors the use of sampling to correct the figures. The bulk of the statistical profession has endorsed it as well as the best way to get the most accurate count. Congressional Republicans, with a few exceptions, are nonetheless opposed and voted to provide only half the money needed for the census in the fiscal year ahead. The other half would await negotiations on the sampling issue next year.

The Republicans fear an adjusted count could cost them some House seats in the next redistricting. They argue as well that adjusting the figures would be unconstitutional — the constitution calls for an "actual enumeration" - and subject to abuse. But surely the greatest abuse is to exclude from the tally people known to be out there and to deserve inclusion. It is not just political representation that is at stake. Federal funds also follow the census figures, and it is important as a matter of national perception to know who we are, where we live and so on.

The administration says the full amount should be provided for the census now, lest preparations for the complex task be delayed. If Congress will not agree to that, then at least there

should be a return to last year's understanding. Under those terms, only half the amount for the census would be provided, but likewise only half the amounts for all the other items in the bill, which covers the departments of State, Justice and Commerce and assorted lesser agencies. Then the budgets for those departments would be hostage if Congress sought next year to hold up the rest of the census money.

The administration cannot give up that leverage. The opponents of sampling claim not to want the census to be a political document, but it is they who are pushing it in that direction. —THE WASHINGTON POST.

# Other Comment

### Iraqi Nuclear Capability?

The head of the International Atomic Energy Agency in Vienna warns that Iraq's decision to stop cooperating with UN arms inspectors could mean that it is again preparing to try to build nuclear weapons.

That is an ominous turnaround from the agency's earlier finding that Iraq appeared to have given up its clandestine nuclear program. If Iraq effectively defies the inspection process, the world will have to worry not just that Saddam Hussein's rogue government will soon reacquire chemical and biological weapons but quite possibly a nuclear capability as well.

— Los Angeles Times.

# Herald Eribune

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WASHINGTON — As President Bill Clinton moves into a politically decisive week at home, his hopes that soft power would tame the post-Cold War world are also under strong challenge around the globe.

Foreign policy has played an important if unspotlighted role in sustaining the high popularity ratings that have been vital to President Clinton as he battles Kenneth Starr's investigation of the Lewinsky allegations.

The Clinton presidency has been blessed with a relatively peaceful international environment. Mr. Clinton has infrequently used or even threatened to use force in protecting U.S. interests abroad, and Americans like him for that Mail from readers underlines that

Clinton invariably brings letters pointing out that he has kept Americans out of wars abroad and deserves to be forgiven almost anything.

And the president, his aides and his foreign allies have often emphasized Mr. Clinton's skills in using "diplo-macy backed by force" to settle in-

connection. A column critical of Mr.

ternational conflict. That phrase has echoed through the administration's descriptions of how it has handled problems as diverse as By Jim Hoagland

clear arsenal, the dismantling of Haiti's junta, China's missile threats against Taiwan and Iraq's hiding of biological and chemical weapons. Clinton spokesmen have claimed this particular form of soft power as a trademark of this presidency.

But the terror bombings of U.S. embassies in Kenya and Tanzania, Saddam Hussein's breaking off UN arms inspections once again and the bloody pursuit by Slobodan Milosevic of continued Serbian rule over Kosovo have demonstrated in recent weeks that other, brutal forms of power still count in orld politics and will not be deterred by threats alone.

Mr. Clinton deserves praise, and popularity, for avoiding fighting where it was not necessary and minimizing violence where it was.

His Vietnam-era wariness of the military has in some cases paid dividends. But his administration can be faulted for making foreign policy look too easy by vaunting diplomacy backed by the threat of force so relentlessly. The American public has been left with the impression that the Iraqis, or the Serbs or the other troublemakers of the mo-North Korea's effort to develop a nu- ment, are almost certain to back down

American power is delivered.

Examine the statements of UN Secretary-General Kofi Annan in February after he talked Saddam into resuming (the now suspended) arms inspections, and Mr. Clinton's welcome of that agreement, and the logic behind that impression emerges.

Two enormous problems result from such high-visibility reliance on the threat of force as the first line of diplomacy:

It underestimates the force of the irrational in international politics. Saddam for one has shown that he cares nothing about the survival of his country if it is not directly linked to his survival as ruler. An Iraq that does not live up to his vision deserves to perish. Mr. Milosevic is more calculating.

But his calculation of Kosovo's importance to Serbia is different from that of any outsider's. He would absorb no doubt more punishment than this American president would deem logical or bearable and still fight on for Kosovo.

The Iraqi and Yugoslav dictators also illustrate the second, increasingly apparent shortcoming of making threatbased diplomacy the biggest arrow in the quiver: Mr. Clinton's threats have become less credible as he has become more distracted and embattled at

Saddam's decision to give Mr. Annan a temporary diplomatic victory in February was a tactical move. This summer the Iraqi decided that he did not in fact risk American retaliation for breaking off UN inspections, and the U.S. administration has publicly and

ill-advisedly confirmed that. Saddam now confronts diplomacy backed by renounced threats of force. He can resume stockpilling biological and chemical weapons unhindered

The repeated warnings that the North Atlantic Treaty Organization is going to get serious militarily in Kosovo any day now have had the

same effect. Mr. Milosevic is able to calibrate the bloodshed he inflicts, keeping it below the high threshold beyond which U.S. threat might nim to actual force.

The timing is inconvenient for Mr. Clinton as he faces the Lewinsky denouement. But these developments send a clear message: Leadership in foreign affairs is not easy. The American people cannot assume that threats backed up by hope work for very long. And they cannot let themselves be luiled into thinking that threats will relieve them of the obligation of protecting global stability with sacrifice when their interests are threatened. The Washington Post.

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# Large-Scale Surgery Is Needed to Correct Japan's Ills

OKYO — As the yen falls and the new cabinet of Prime Minister Keizo Obuchi faces an open-ended financial crisis, Japan has reached the end of an era. The half-century of reconstruction and economic growth that followed its defeat, surrender and occupation in August 1945 has turned to demoralization and national disappointment.

The failure of successive Japanese governments to tackle the disastrous legacy of hyperspeculation in the "bubble era" of the 1980s has pushed Japan into recession. The malaise afflicting the world's second-largest economy is sending shock waves into an already ailing Asia-Pacific region. The impact is also being felt in the West. U.S. exports to Asia are slow-

ing sharply and there are mounting concerns that the surge of imports from Asia, made sucause serious job losses for Americans in the manufacturing sector.

In Europe, growth in 1998 for the 15 states of the European Union has been revised downward because of Asia's troubles. Worse is to come. There is a real risk that Japan

and other East Asian nations will cut their investment in By Roger Buckley and William Horsley

Europe. The scrapping of Europe's largest-ever "inward" investment - by South Korea's LG group for a semiconductor plant in South Wales — is blamed on a lack of cash. The collapse of Siemens' plans for a similar plant in northeastern England is attributed to "suicidally low" prices among rival Pacific Rim producers.

The official Japanese forecast of a "prolonged slump" echoes the World Bank's worries about a "very long-lasting depression" for East Asia. Fragile share and currency markets have dropped alarmingly in recent days. Financial analysts around the world are concerned at the rising threat of further competitive devaluations and beggarthy-neighbor trade practices.

After less than a month in office, the Obuchi government percompetitive by devaluations risks being swept aside by a tide in the region, will soon start to of pessimism. The public's confidence in Japan's political leadership has evaporated.

How did Japan get into such a mess? The tightly knit institutions that created the Japanese miracle in the boom years — the elite bureaucracy, big business and the conservative politicians - are now part of the problem. This iron triangle of decisionmakers is still protecting its own

vested interests, thus obstructing urgently needed solutions. Their failure to reform is directly responsible for Japan's vicious circle of deflation and falling asset values, which now threaten global prosperity.

A frank acknowledgment of the errors of the past is important because it can help produce correct solutions.

The "first age" of postwar Japan saw a bitter conflict between communism, backed by trade union power, and bureaucracy, steeped in statist national goals that were primarily economic. The bureaucrats won, thanks to policy decisions of the U.S. occupation authorities who wanted Japan to be a stable and wealthy ally in the ideologically divided Asia of the Cold War.

Central to the bureaucrats' vision of a new Japan was the control and mobilization of the in the Recruit scandal, in which nation's financial resources. State support for a network of industrial, commercial and savings banks ensured the allocation of funds to designated high-priority industries. Mass urbanization and intensive education turned out the skilled, malleable work force whose achievements became legendary. In the "second age" of post-

war Japan, ambitious politicians strict regulation.

of the governing Liberal Demo-cratic Party — such as Kaknei has begun with a joir. The full Tanaka, prime minister in the early 1970s - exploited these national assets to make Japan the "factory of the world" and to enrich themselves. In the world," other nations were grateful for the capital and know-how that flowed from the

Land of the Rising Yen. But as Japanese politicians and brokers colluded to ramp up share values, and make risk-free profits, major manufacturing firms turned eagerly to financial speculation for huge windfalls, while banks were prompted by the crony network to lend to ever more dubious clients.

The "third age" of postwar Japan began abruptly in 1990 with a collapse of stock prices to half their bubble value. Politicians' venality had been exposed shares were traded for favors.

their greed, as it emerged that fourth age will be its undoing. officials had been wined and dined by the very bankers they were supposed to have been suown ineptitude, not because of

extent of commercial banks bad debts is still unknown. Some critics say it may be asmuch as \$1 trillion. The babits of paternalism and secrecy persist. They make the newly cre-1980s, when Japan also earned sist. They make the newly cre-the title of banker to the ated financial watchdogs reluctant to reveal the whole truth for fear of setting off a banking melidown. Plans for massive state in-

tervention, through a bridge bank, are intended to contain the damage. But they also represent a fresh temptation to prop up banks and companies that deserve to fold. Large-scale surgery is vital to remove the\_ cancer at the heart of Japan's economic system, and to cor-

rect the arrogance of power. Real transparency and tough reforms would, of course, bring more hardship, record job losses and a new spate of bankruptcies in the short term. But if Japan fails to seize this chance \* Even Japan's once-respected - to end its entrenched system ofbureaucrats were pilloried for a patronage and cronvism, their

Mr. Buckley teaches history at Tokyo's International Chrispervising. Financial houses, tian University and Mr. Horsley such as Yamaichi Securities, finally failed because of their They contributed this comment to the International Herald Tribune.

# What the U.S. Should and Should Not Do in Indonesia

JAKARTA -- The key to un-derstanding Indonesian politics is the Javanese shadow play called wayang - stories about mythical battles between gods and kings, good and evil, with the common people standing aside in powerless awe.

A shadow play is more than mere entertainment it is a deeply ingrained way for Indonesians to view events in their world. The driving force behind each performance is the dalang, the puppet master. He has control over the destinies of all the characters.

For 32 years, President Suharto was the dalang, a king who possessed wahyu, the divine light signifying a Javanese leader's power. He ruled his nation as a benevolent despot, consulting frequently with his spiritual adviser and tapping the deep cul-tural roots of the wayang.

Last year, he lost his wahyu: There were fires, droughts, locusts and plane crashes. This year, the economy crashed. Now he is gone.

Habibie, who appears to be tryis more comfortable commun-

He has been replaced by B. J.

ing to open the way to democratic reform. This new puppet master does not hold all of the strings and seems to be making up his stories as he goes along. Neither Javanese nor mystic, he ing with his computer, exchanging e-mail with friends.

Mr. Habibie rules at the

pleasure of the military commanded by General Wiranto, a former aide to President "I take General Wiranto with me everywhere; as long as he is smiling I know I'm O.K."

Suharto. As Mr. Habibie says,

# Stop Bailing Out Repressive Regimes

WHEN dealing with crises such as the one in Indonesia, the traditional U.S. preference is for stability, even if it results in repression and the denial of democracy and human rights. Jim Hoagland took note of this problem when he called on the United States and the International Monetary Fund, in the case of Indonesia, to "halt financial support for a regime that is digging its own grave" (IHT. May 18).

What Mr. Hoagland implies is a revolution in the way we think about development finance and the rules governing it: the Articles of Agreement of the World Bank and the IMF. These are the two Bretton Woods institutions that set the conditions for financial aid of borrowing member countries. And at the center of those conditions is a "Chinese wall" between "economic" and "political" considerations. Unfortunately, it is, as Indonesia so graph-

ically demonstrates, an artificial construct. Indonesia did accomplish much; it was a leader in reducing absolute poverty. But it also suppressed trade unions, a free press, an independent judiciary and opposition political parties. This was considered irrelevant by the Bretton Woods institutions in as-

sessing Indonesia's development "performance." This constricted view of development performance has found support in successive U.S. administrations, including President Bill Clinton's. This view has been exploded in Indonesia. For it must now be clear that, even on their own terms - that is, even when the primary goal is fostering a secure investment climate the IMF and World Bank cannot ignore the absence of institutions that ensure an orderly transition in government and can provide effective checks against abuse of power. In other words, democratic institutions are as relevant to development performance as

traditional considerations such as fiscal probity.

The wall has come down and it is neither possible nor desirable to reconstruct it. Accepting that conclusion involves a revolution in thinking inside the Bretton Woods institutions and the U.S. Treasury, the dominant force in U.S. policy with respect to these institutions. -Jerome 1. Levinson, a professor of international law at American University and a research associate at the Economic

Policy Institute, commenting in The Washington Post.

By Stanley A. Weiss

The general was an architect of the constitutional coup that forced the 76-year-old Suharto from office. He became a hero for his role in ending the numerous riots and for purging Lieutenant General Prabowo Subianto, Mr. Suharto's son-inlaw and the former commander of the special forces who was accused of numerous human rights abuses.

But this is Indonesia, where intrigue is as much a part of daily life as wayang myths. So it is not entirely clear how the dance between General Wiranto and President Habibie will turn out. At the request of the new president, General Wiranto and his brain trust abandoned their preferred candidate for chairman of the government party, Golkar, in favor of Akbar

Now there will be no parliamentary elections until next May and no selection of a president until December 1999. Mr. Habibie has more time to consolidate his power with the appointment of loyalists, such as General Faisal Tanjung, coordinating minister of defense and security.

America should resist any temptation to become a major actor in this continuing political

The Indonesians did an impressive job of getting rid of President Suharto without any help from us, and they are engaged in a profound and lively negotiation about their political future," said Paul Wolfowitz, former U.S. ambassador. "For now, I believe, we should leave the negotiating to them and focus our efforts on preventing starvation." And starvation is a real pos-

sibility in a country facing a shortfall of more than 5 million metric tons of rice. The response of the international community has been to pledge less than one fifth that amount Mr. Wolfowitz urges immediate action and points out that the United States is far more

likely to be listened to later if it

takes the lead now in providing

desperately needed food and

medical assistance. "A massive emergency as-

sistance program can also serve train and educate Indonesia's political as well as humanitar-military — the greatest stabilian purposes," he said. "If creative use is made of nongovernmental organizations in Indonesia for food distribution, it can strengthen some of the organizations critical to the success of political and economic

Feeding Indonesia's hungry is the equivalent of stopping the bleeding in a critically wounded patient: It must be done first. Only then can the issue of political reform be addressed.

One of the sad legacies of Mr. Suharto's regime is that rather than foster the growth of political parties, he ensured that the opposition was weak and disorganized. There are more than 50 reg-

istered parties in Indonesia, each with a single focus. This is a recipe for anarchy. But there are positive signs that Parliament is working to create a pro-cess for building broad-based parties capable of winning working majorities in next year's parliamentary elections. The United States should develop a number of programs to Tribune.

military — the greatest stabilizing force in the country.

Indonesian officers should be encouraged to participate in the International Military Education and Training program. The program exposes officers to international norms of human rights, the concept of civilian control of the military and respect for the rule of law. In addition, America should

create scholarship programs for midlevel officers at colleges and universities around the United States to give these ful ture leaders a broader view of democratic values. There is nothing mystical-

about the importance of a stable, prosperous Indonesia to the United States and its Asian partners. And there is nothing magical about helping Indonesia write a happy ending to a real-life wayang.

The author, founder and chairman of Business Execu-tives for National Security, contributed this comment to the International Herald

# IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Russia's Fault PARIS - [The Herald says in

an Editorial: It is interesting to record the arguments used in justification of Russia's attitude towards Great Britain. The Novosti says, "British claims are not justifiable, because England not only wants advantages for herself alone, but would like other Powers to help her towards their attainment." Now it is notorious that the whole aim of British policy in China has been based on the theory of "open door," and that the successive defeats which this policy has sustained are due solely to Russia.

### 1923: Gasoline War

NEW YORK -- Governor W.H. McMaster, of South Dakota, purchased 500,060 gallons of gasoline from the independents to retail at sixteen cents a gallon, and thus started a gasoline war in the West. The cut in price was

immediately met by the Standard Oil Company of Indiana. and the Standard of Kentucky. The Standard states that it is OCIETY selling below cost of production. but it must uphold the principle of not asking its patrons to pay more than others are paying.

# 1948: Juvenile Justice

LONDON -- The world's mental specialists were urged today [Ang. 14] to suppress all juveo-ile courts and the "juvenile judges" that sit in them. A. French delegate to the International Congress on Mental Health, Dr. G. Heuyer, charged that juvenile courts were worthless in dealing with the problem. of aggression in children. Treat-ment of delinquent children, Dr. Heuyer said, should be placed in the hands of organizations which do not have a pententiary or legal aspect. He said boards should be established for the "protection of childhood."

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Nurerberg and Lifelong Cruseder against
Hitler and Nazism. As he said in his
last Interview in the International
Herald Tribune, he tried "to put a little
place of justice back in the word?",
in these wors, his file projects home.

piece of justice back in the world, in these years his fife projects have soved closer to fruition; the acknowledgement of Swiss, German and other collaborating benks on Holocaust gold, and the beginnings of a United Nations world criminal court. We rejoice at this progress and will continue to press forward in his spirit. Friends of the Robert Kempner Collegium, Jane Lester and Margot Lipton

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By Souren Melikian International Herald Tribune

ONDON — In a one-room art show the more effective for its concision, the National Gallery projects an image of Canaletto that will surprise even those who thought they knew it all. In the lean, beautiful display that turns the summertime larks into a new exhibition genre, it forcefully thrusts itself upon

The stated purpose of the exhibition, on view until Oct. 11, is to explore Canaletto's technique and his treatment of the topography of Venice. Instead, the visitor discovers the ob-

sessions of an artist who played with urban reality to compose a stage set and convey moods.

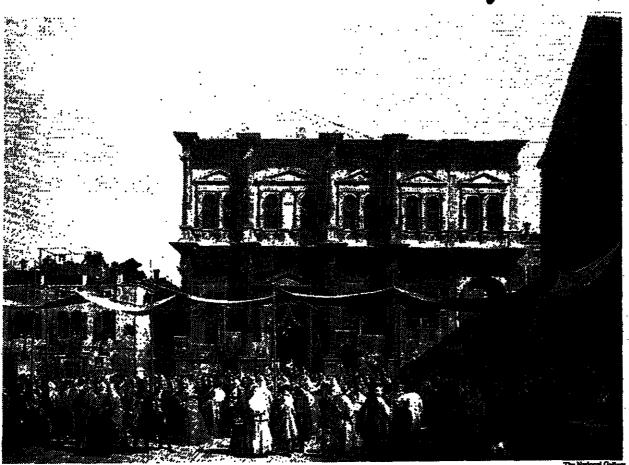
The point is made right at the entrance with "The Feast Day of Saint Roch" hung on its own on a large panel. A crowd in colorful finery fills the foreground with the Scuola di San Rocco facade as a backdrop. Looked at closely, the characters turn out to be little more than dummies with identical expres-

sionless features cursorily sketched.
It is the Scuola that matters. The facade is hung with festive garlands and big oil paintings are attached to it above eye level, making the architecture come alive. The crowd is a mere ornament.

With the View of the Grand Canal looking toward the Church of Santa Croce, the stage moves from firm ground to water, but here too the real part is assigned to architecture. Canaletto has taken liberties with it. More buildings appear than can be seen from where he stood. The perspective, defined in linear terms, has no depth. There is no volume to the buildings, no mist in the air.

This is a theatrical set for a fairy tale whose actors forgot to turn up — few

A small view by an anonymous artist described as a "follower of Canaletto" indicates that admirers tried to emulate this manner. In its lean style, the com-



"The Feast Day of Saint Roch" with the richly ornamented Scuola di San Rocco in the background.

The dome of San Simeone Piccolo looks huge on the classical structure that supports it, no bigger than the dome itself. A few gondolas glide on parallel lines in the horizontal strip of a canal. Despite the scanty human presence, a strange tension emanates from the scene. If Expressionism in architectural views ever existed, there it is.

Nearby, Canaletto's own rendition of

position is stronger than Canaletto's the same church as part of a broader townscape is as bland as a picture postcard. Farther away, regatta scenes are crammed with detail that seems to have been supplied to fill in the space. The "Regatta on the Grand Canal" painted about 1735 and another view with the same title done about five years later from precisely the same vantage point

are like repetitions of a deluxe image for

rich tourists - English lords on the

Grand Tour took these back home as

souvenirs from their lovely days in Venice.

In a show where no picture gets lost in the broader context, the banality to which Canaletto could stoop leaps to the eye. Fortunately, so does another little known side to Canaletto's art, a deeply poetic romanticism.

In 1725, the Venetian artist painted a view of the Grand Canal looking north from the Rialto Bridge with an intensely dramatic atmosphere. A storm threatens

to break out as the sun, invisible behind wisps of white and purplish gray clouds, lights up the incurving sweep of the canal with an unnaturally intense yellow glare. The palaces on the opposite side, plunged in darkness, cast spiky shadows across the water. Three gondolas are barely visible near the wharf enveloped in blackness, while a fourth lonely boat appears in the middle, looking frail in the vast expanse of water.

Nature is about to explode. The ten-sion, toned down by the theatricality of the urban setting, places the picture in a category of its own. On loan from a private collection, this is one of the revelations of the show.

So is another view of the Grand Canal with the Rialto Bridge seen from the north in 1735. This too is a private loan. The light effects in the windswept sky where the sun remains invisible, the reflections in the water and the shadow play give it an even greater intensity.

A drawing in pen and brown ink from the Ashmolean Museum in Oxford, concerned about was indeed light rather than architecture. The word sole, the son, is written on the drawing precisely where the water sends back a pale yellow gleam in the painting.

The masterpiece in this dramatic manner, virtually unknown outside its present hometown of Hull, England, is "The Grand Canal Looking Northeast From the Palazzo Balbi to the Rialto Bridge" on loan from the Ferens Art Gallery. The left bank stands out in a lurid glare under a black cloud that hangs over it like a pall. Canaletto has reinvented the facade of the palazzo, adding two more windows. The cataloguer finds it surprising, but this merely demonstrates that architectural detail never was the point.

The picture is about atmosphere and mood. Categorized as a "regatta scene," it has little to show for it -- only the temporary pavilion of painted wood and plaster from which pennants were handed out to winners reminds the viewer of the subject. Human presence is confined to a few ordinary toiling

Venetians. Even the facade does not have the neatness that Canaletto associates with palazzi in his views for tourist consumption. Venice is shown here without fails.

In 1727-28, the artist painted one of the last of his unpampered views. For once, "The Stonemason's Yard," one of his two or three greatest works, does. not focus on facades, but on the working space of a mason's yard strewn about with blocks of stone. The master mason carefully trims one, hammer in hand, while an apprentice does the rough work

on a big long block. A miniature domestic drama is played out in the foreground. A house, wife, her broom propped against the angle of a house, bends to attend to a screaming child of 4 or 5 that has just fallen on his behind, possibly pushed over by his elder sister who stands, firmly gripping a stick. Light plays on the planks of a long lean-to at the right. Modest white sheets hang down from the windows of the facade of a house to serve as blinds filtering the strong light. In the distance, across a canal, the tower of Santa Maria della Carita rises high in

HIS is the backstage view of working class Venice, moin ments included. The 19th century must have loved it.

But the difference with the 19th century is that realism does not come into it, It is a ballet in a Venetian decor, albeit a populist one.

Presumed objectivity was in fact subject to artistic license," David Boin-ford and Gabriele Finaldi remark in the catalogue, in connection with what they call the artist's "impossible view-

But Canaletto was not interested in reality as such. He only strove to create the illusion of reality — reality rein-vented and reassembled with the persuasive power of a storyteller. And as his tale was Venice, Europe fell under the spell of his Venetian dreams, fol-

# Settlement Is Reached Over a Looted Degas

By Judith H. Dobrzynski New York Times Service

EW YORK - In the first Nazi looting case to be settled say that they have reached an agreement with a pharmaceutical company heir over ownership of a Degas landscape.

The agreement essentially calls for a "split the baby" solution. In it, the Art Institute of Chicago will acquire the work, "Landscape With Smoke-stacks," jointly from Lili Gutmann and her nephews Nick and Simon Goodman, the daughter and grandsons of two Holocaust victims, and from Daniel Searle, the current owner, who is a trustee of the art institute and a former chairman of G.D. Searle & Co.

The art institute will pay the Goodmans half of the work's fair-market value, which was not disclosed, and Searle will donate the painting. The agreement also stipulates that the names Friedrich and Louise Gutmann, who died in Theresienstadt and Auschwitz. respectively, as well as that of Searle, be on the institute's wall labels when the work is on display.

"It was an agreement made in heaven nobody wins and nobody loses," Nick Goodman said. "And it was an opportunity. We wanted to show the world that we could settle our case and maybe show the way for all these other cases.

At least a half dozen claims for art

stolen during World War II have recently been made in the United States, and experts believe there will probably be more. Claims have started surfacing only in the past few years, as wartime archives in the United States, the rela- have been opened, the Iron Curtain has have brought attention to the issue

The Goodman-Searle case began simmering in 1995, when Simon Goodman found "Landscape With Smokestacks" listed in an exhibition catalog as the property of Searle. In 1939, his grandparents had sent the country landscape, along with other paintings, from their home in the Netherlands to Paris, where the family contends it was confiscated during the war. The painting changed hands a few times after the war, moving through Switzerland to New York, where Searle, unaware of its history, bought it in 1987 for \$850,000.

All along, Gutmann; her brother, Bernard Goodman, who died in 1994, and his sons, Nick, 52, and Simon, 49, had been looking for the painting. After a year of unfruitful discussions with Searle, the Goodmans sued in 1996. The trial was set to begin on Sept. 9. But on Aug. 7, Nick Goodman called Searle, suggesting a last effort to settle the dispute.

"Landscape With Smokestacks" will go on view at the art institute on Oct. 9, and the Goodmans will probably be there. "I've never seen the painting," Nick Goodman said, "I'm looking forward to holding it for the first and probably last time."

HARRY FANE

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# The Hunters and the Warriors

By Michael Gibson

ARIS — The usual museum approach to African art has tended to be formal and classificatory in the spirit of Linnaeus, lining up genera and species, so the little exnibition now at the Dapper Museum in riors" appears to break new ground, in Europe at least, by approaching the subject through the traditions and oral history of the peoples concerned.

A cluster of frail and defiant equestrian figures dating from the once important Mali empire, for instance -mostly Dienne and Dogon - attest to the use of cavalry in the area as early as the 13th century (much earlier in fact, according to some sources), and an overview of oral traditions touching upon the significance of the horse in that part of the world is presented in the catalogue text by Youssouf Tata Cisse (a Malian himself, whose last name, incidentally, means "a rider").

The exhibition's theme is the hunter and the warrior in various parts of the continent - concluding, historically, with the Zulu military empire created by Shaka toward the middle of the 19th century. The exhibition consequently deals with the very raison d'être of the male population of these regions, and with the mythic structures of power among the Zulu, in the cult of the actual, physical body of their charismatic leader.

All these objects, and among them

those connected to the hunting myths of the Lobi, are finally restored to their original meaning and intent, thanks to the attention now paid to their esoteric significance: a significance, in other words, that is communicated at the appropriate time to those who need to

by the Mandenka (presented here by Sory Camara), who are not otherwise represented by any object in the ex-

In their view, the hunter's life is a life of servitude whose reward is a "noble, splendid woman," identified with the ultimate truth of life. In their teaching, the man who achieves understanding is said to "lie with truth," the noble, splendid woman, "on the banks of the little river" - this little river being the time of his own passing through the world.

Something in these strangely beautiful and deeply expressive works, whether Soninke, Dogon, Bembe or Mangbetu (to mention but a few) continues to fascinate us today. Perhaps it is their capacity to express, in a form that is both candid and enigmatic, the perennial riddle of individual and social existence that every culture responds to institutionally in its own way (but our own today, in many ways, less effectively than any other in the past).

The various myths of the hunter and the warrior evoked in this exhibition served to define the male identity in these societies. In Africa, as in other parts of the world, the task of the male population was traditionally to feed and protect the community, the Amazons of ancient Dahomey being a striking exception to the rule. These myths were bred in conditions

that were often exceedingly harsh and

made strenuous demands on the indiidual—and some raise intriguing ruler, like Shaka, installs his physical person at the very hub of myth. The question appears all the more relevant since Europe, in the present century, has been faced with similar questions, and its failure to confront them at the pertinent level of mythic representation (rather than sociopsychological spec-ulation) has had devastating consequences, many of which continue to haunt us today.

■ HESE overwhelming questions cannot be avoided in an exhibition dealing with the imagery of power. Such imagery has deep roots and its treatment here has, as usual, produced some magnificent objects: the sculptures already mentioned, but also the most beautiful and strangest conceivable knives with multiple blades (which, we are assured, the Kota, Wada and Ngbaka, among others, used in battle), as well as weirdly knobbled Amarro and Bedja shields made from elephant or hippopotamus hides which still project a somber, threatening aura.

The exhibition at Musee Dapper, 50 Avenue Victor Hugo, runs to Sept. 30.

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# **BOMBAY ICE**

By Leslie Forbes. 418 pages. \$24. Farrar, Straus & Giroux. Reviewed by Christopher

Lehmann-Haupt S OMEWHERE in the col-orful tapestry of Leslie Forbes's murder thriller, "Bombay Ice," lies the thread of a story that very

nearly makes sense. Her first-person narrator, Rosalind Bengal, is a part-Scottish, part-Indian London resident who reports for the

When she receives a hysterical postcard from her semi-estranged half-sister, Miranda, who is married to an Indian film director, Prosper Sharma, rumored to have killed his first wife, Rosalind flies to Bombay, using as her cover an assignment to investigate corruption in the In-

dian film industry. "Think of the exotic corpses," she has told her producer. "Machetes, cobra bites, ritual murder." She writes, "The ritual murder clinched it, and my remaining costs were covered by a BBC commission for six radio pro-

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# **BOOKS**

grams about the history of fortably, Probably not. She ropical storms." Hardly has

settled into her room at the Hotel Ritzy when she turns on the television and learns of a corpse that has washed up on Chowpatty Beach in Bombay just three hours earlier. The dead man is a hijra — which, as she shortly learns, means either a cunuch or a transvestite — and is the fourth one to die on Chowpatty in the last eight weeks. Also, he is said to have been connected

to the Bombay film world. Since Miranda mentioned a eunuch in her recent postcard, Rosalind immediately heads off for Chowpatty to see if she can learn something more about the victim. There she meets three policemen who tell her to mind her own business. Her suspicions aroused, she starts digging into the background of the hijra. Quickly she finds berself on the trail of a scandal that not only leads back to Miranda's film director husband but also

power circles of Bombay. Now it may seem a little troubling that Rosalind would thrust herself into this case so deeply without having first even spoken with Miranda. But then Rosalind is a recklessly aggressive individual

branches into the leading

also verges on the poetic in her eloquence. So before you question the plausibility of Rosalind's actions, you find yourself caught in her wideranging net of references. You wonder, for instance. about the mystery of her mother's death by drowning and what it had to do with the mother's habit of inflicting cuts on herself or her knowledge of poisons or her craft as a gilder, which is someone who layers with gold and, in

its archaic meaning, someone who smears with blood. You wonder about Rosalind's repeated discussions of storms and chaos theory and why she herself is upsetting someone's attempts to impose order. And why is she named Rosalind, a woman disguised as a man in "As You Like It," when Miranda and Prosper evoke the names of characters in "The Tempest," a play that Prosper has been making a film of for most of his career and that obsesses at least one other character in the novel?

We were shipwrecked on an island and the island was Bombay," the story begins; "the monsoon threat held the whole city hostage." What transformation are the stran-

ded passengers undergoing? whose behavior keeps forcing. Finally, you are caught up you to ask yourself. Would by the portrait of Bombay in this bother me so much if it all its shocking variety of were Sam Spade or some other hard-boiled male detective? And to answer uncom- now living in London, whose

previous books have been about travel and food. "The city as a conveyor belt to chaos," Rosalind muses. Yet out of its chaos Forbes has created a vivid sensé

Does the whole thing make sense, despite the complexity of the plot? It's difficult to tell in a single reading. But every intricate detail seems to serve, its particular purpose: th swimming pool shaped like India before partition, where Rosalind swims from Nepal to Madhya Pradesh, the double-bladed scalpel on a swivel neck normally used for the delicate cutting of parallel circles in gold leaf, the

frequent references to Hitchcock's "Strangers on a Train." While its plot is inflexibly time-bound, the book's references stretch almost infinitely, embracing chaos theory, Ovid's "Metamorphoses" and the art of hollow casting, or cire perdue, invented by the ancient Greeks to reduce the

weight of their monumental Statucs At its weaker points you feel that Forbes is temporizing, pethaps to distract from an story that is almost too complicated to be plausible. Yet ato its best the book's expansiveness conveys a sense of India so tich that it ceases to seem a mere country or nationality and comes to stand for her-

manity in both its corruption and self-transcendence: 22 New York Times Service

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# Coping With Asia's Crisis: Thais Take Action as Tokyo Gets Warning

# Bangkok Unveils Financial Repair Measures

BANGKOK — The Thai government on Friday unveiled a raft of measures to try to repair the country's debtridden banking sector, the main move involving recapitalizing commercial banks through a major government bond issue.

The central bank said it would take over two debt-ridden banks and five finance companies as part of a comprehensive package to rescue Thailand's tottering financial system.

The rescue package includes the issue of 300 billion baht (\$7.2 billion) of bonds and the takeover of two banks by government-owned Krung Thai Bank PCL. An effective plan is considered essential for reviving the recession-bound economy. Thailand's financial sector all but collapsed last year after a slowdown in the economy exposed insolvency in companies in many sectors of business.

The government seized two of the smallest lenders, Laem Thong Bank PCL and Union Bank of Bangkok PCL. Four other lenders that were recently nationalized will either be merged into Krung Thai Bank PCL or cleaned up by the central bank and sold. Bangkok Bank of Commerce PCL was ordered shut. The moves leave the government in control of half the nation's 16 commercial banks.

The governor of the Bank of Thailand, Chatu Mongol Sonakul, said the rescue package would bolster confidence in Thailand

"I believe the banking package that the government is issuing will boost foreign investor confidence and will encourage those who are reluctant and wait in the wings to come in and invest

But financial analysts were not so

"The announcement this morning should be considered as negative news both for money and stock markets." said Thanadech Mahapokai of Book Club Finance and Securities.

"So far, the government has not said how much money would be needed to help those affected financial institutions raise their capital," he said. "The big question mark right now is where will the government get the needed money."

But the market welcomed the news and the benchmark Stock Exchange of Thailand index closed 5.52 percent higher at 243.62.

Alison Seng, economist at MMS, Standard & Poor's in Singapore agreed.
"This is pretty much in line with what the market was expecting so far," she said. "But we want to know more, especially whether there will be bonds to fund all this."

A string of measures aimed at strengthening the Thai banking system demonstrates the government's commitment to restructuring and reform, the International Monetary Fund said Fri-

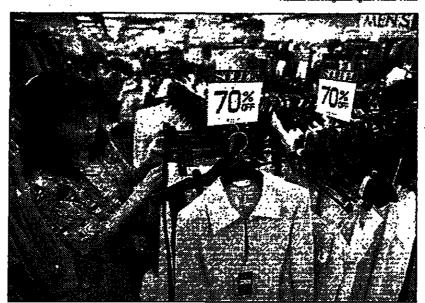
A statement from Shigemitsu Sugisaki, one of the IMF's deputy managing directors, said the moves would help toward completing the next review of Thailand's IMF economic reform program. The completion of the review would pave the way for new payments to Thailand from an IMF loan agreed to

The central bank's resone fund, the Financial Institutions Development Fund, will take over the seven institutions with swaps of debt for new shares, the Bank of Thailand's deputy governor, Kitti Patpongpibul, said Friday.

In some cases cash will also have to be injected, and at a later stage the institutions will be merged with others

or possibly offered for sale. Mr. Kitti said once the merger of Krung Thai and Union Bank was complete, the new institution would absorb five smaller finance firms. The five firms, along with Union Bank and Laem Thong, were taken over by the central bank on Friday for failing to boost their capital bases while problem loans rose. (AP, Bloomberg)





In Bangkok (top), Finance Minister Tarrin Nimmanahaeminda explaining the central bank's actions on banks. In Tokyo, a bargain-hunter visiting a department store where prices are marked 70 percent off.

### IMF Says Japan Will Contract 1.7% This Year

WASHINGTON — Japan's econo-

my will probably contract by 1.7 percent this year, the International Monetary Fund said Friday. The Fund said that Japan's economy

might begin to recover in the second half, if the government moves ahead with plans to stimulate growth.

The comments were made in the Fund's annual review of the Japanese

The head of Japan's Economic Plan-ning Agency, Taichi Sakaiya, said Friday he was worried that Japan might fall into a deflationary spiral.

He said the Japanese economy would probably get worse before it got better. Mr. Sakaiya predicted zero growth in Japan's gross domestic product this fis-cal year, which began April 1.

Gross domestic product contracted by 0.7 percent in the fiscal year that ended in March. The shrinkage was the first full year of economic contraction

since 1974. Asked when a recovery might begin, Mr. Sakaiya said, "The government is saying it will happen within two years,

but I feel that it will be a little earlier.' The IMF forecast was more pessimistic than the forecasts of either the Japanese government or private econ-

The Fund applauded the government's recent pledge to cut taxes and boost spending. But it warned that those steps were not being executed fast enough. It said that bank regulation

must be strengthened. "While the government has taken a number of welcome initiatives, the overall response thus far has fallen short of the timely, comprehensive and forceful program that is required, given the seriousness of the situation," the Fund

Japan needs "far-reaching measures to deal with the bad-loan problem in the banking sector and restore the Japanese financial system to health," the Fund

Minutes of a meeting of the board of the Japanese central bank, made available Friday, showed that the bank was reviewing contingency plans for a worst-case-scenario deflationary spiral. The emergency measures under consideration included zero overnight

The meeting was held July 16. The minutes quote members of the board as saying that "it was important to consider possible emergency monetary policy measures in case the risks ma-

Prime Minister Keizo Obuchi has asked Parliament to approve six proposals by September. The proposals include establishing "bridge banks" to assume healthy loans from insolvent banks and sell the rest.

Opposition parties are dissatisfied with the definition of insolvency in Mr.

Obuchi's proposal.

The Fund urged Japan to enact more rigorous guidelines to ensure that banks fully report their bad loans.

Japan's banks are carrying an estimated 77 trillion yen (\$526 billion) in

This burden has forced them to curtail lending at home and in Asia. The curtailment of lending has impeded eco-

The Fund's predictions for the Japanese economy included:

 Industrial output down by 5.3 per-cent this year, compared with 3.6 percent growth last year. Unemployment up to 4.1 percent,

this year, compared with 3.4 percent last: • Consumer prices up by only 0.5

percent this year. Last year they rose by 1.7 percent. Business investment is expected to weaken further," the Fund's report said,

and a deterioration of consumer confidence was "likely to dampen consumption and residential invest-(Bloomberg, AP, AFP)

# The Battle of Bottlers: Coke Invades Pepsi Turf Landscape Shifts for Soft-Drink Firms

By Constance L. Hays

New York Times Service KINSTON, North Carolina — This is the capital of Pepsi country, where babies born at regional hospitals go home PepsiCo is planning to spin off its comwith Pepsi birth certificates, along with the state-issued ones. They grow up playing Pepsi-sponsored Little League and develop a taste for barbecue, hush puppies and one of the more unusual indigenous snacks: a package of saited peanuts poured directly into a bottle of Pepsi-Cola, to be drunk and chewed all at once.

Pepsi signs dot the flat landscape of comfields and tobacco farms. Over the 63 years since the Pepsi-Cola bottling franchise was first awarded here, per

### INTERNATIONAL MANAGER

dapita consumption of Pepsi products, mostly Pepsi-Cola and Mountain Dew, has grown to more than 400 8-ounce (237-milliliter) servings per person per year; in the rest of the United States, it is

But Pepsi's hold on the area is not as

solid as it once was. For three years, Pepsi's bottler in these parts, the familyowned Minges Bottling Group, has been competing against Coca-Cola Bottling Co. Consolidated.

This Coca-Cola affiliate covers a 12-

state swath of the South, had sales of \$802 million last year and, as a publicly traded company in which Coca-Cola Co. holds a 30 percent stake, can afford big marketing campaigns and price wars in the fight over shelf space and vending

"It's like David and Goliath," said Jeff Minges, president of Pepsi-Cola Bottling Co. of Kinston, one of three within the Minges Group.

It is a problem that PepsiCo Inc., No. 2 to Coca-Cola Co. in the \$50 billion domestic soft-drink business, recognizes. Twelve years after Coke moved to a centralized "anchor bottling" model, pany-owned bottling operations. The new bottling company may then acquire small independent bottlers.

Many small bottlers - like the convenience stores and other retailers they sell to — are already consolidating: There were 180 independent Pepsi bot-tlers in 1987 while today there are 121, according to Beverage Digest, an industry newsletter.

Tr's a much more difficult, competitive environment than it has been historically," said Philip Marineau, president of Pepsi-Cola North America. Much of Pepsi's dominance in the area can be credited to Hoyt Minges, now 74 and taking a back seat to his sons and nephews, who are the third generation of the family in the bottling business.

But things began shifting after the local Coke bottler sold his business to Coca-Cola Consolidated. This spring, a tussle erupted between Coke and Pepsi over which soft drink company would have exclusive pouring rights at East Carolina University, in nearby Green-ville. (Pepsi won the rights, for \$7 mil-lion.) Billboards proclaiming that Coca-Cola and barbecue are "perfect togeth-er" have popped up along the main roads, and Coke vending machines, some depicting North Carolina lighthouses on their broad fronts, are proliferating.

Jeff Minges, Hoyt's middle son, finds the consolidation and the subsequent clout of his Coca-Cola competitors much on his mind. He says the deep roots that he and his relatives have in their communities are invaluable in

### Coke Towns, Pepsi Towns While Coca-Cola dominates the United States as a whole and in most cities, there are some places where Pepsi is ahead. 1997 MARKET SHARE OF GROCERY-STORE SALES, ALL BRANDS. Metropolitan markets, ranked by population. United States **攀 PEPSI** San Francisco/Oakland Bostor Detroit Miami/Fort Lauderdale Dallas/Fort Worth Atlanta Seattle/Tacoma Minneapolis/St. Pau



An employee of the Minges Bottling Group making a delivery in New Bern, North Carolina. Its near monopoly as Pepsi's local bottler is eroding.

him, as it is to Wall Street, that largescale, well-financed bottling operations offer increased efficiency for customers

and corporate strategists alike.

Roger Enrico, the PepsiCo chairman and chief executive, announced last month that the company would begin studying a spin-off of its company-owned bottling operations. He called the move "a critical part of our long-term growth strategy." Analysts expect the spin-off to occur by December or

Pepsi is considering the spin-off at a time when Coca-Cola is facing increased scrutiny over the way it has moved its expensive bottling factories to its own spin-off, Coca-Cola Enterprises. Critics such as Albert Meyer, an accountant and investment analyst, say business dealings, but it is also clear to

Coke and the bottling company are ac- our competition." While members of tually one entity, and for accounting purposes should be consolidated.

The Financial Accounting Standards Board, which sets the nation's accounting rules, is expected to release a draft of a new rule later this year that would force companies with very close ties to consolidate their financial statements. Spokesmen for Coca-Cola declined

to comment Thursday on the accounting issues. At Pepsi-Cola, Brad Shaw, a spokesman for the company in Somers, New York, said: "The two primary forces driving our interest in a separate bottling company have nothing to do with accounting. Our interest is being driven by the large size and continuing consolidation of our retail customers, as well as the continuing consolidation of the Minges family, whose two other companies are in Greenville and New Bern, say they have no plans to sell, Jeff Minges says he expects the spin-off to mean more support from corporate

headquarters for companies like his. The life of a local bottler has changed markedly from what it was in 1943. Pepsi-Cola, which accounts for 75 percent of the Minges Group's sales, has had recent problems with identity and market share, both of which are eroding in the face of Coke's aggressive marketing, especially that aimed at young people. Coke has a 43.9 share of the domestic market, according to Beverage Digest, while Pepsi's is 30.9.

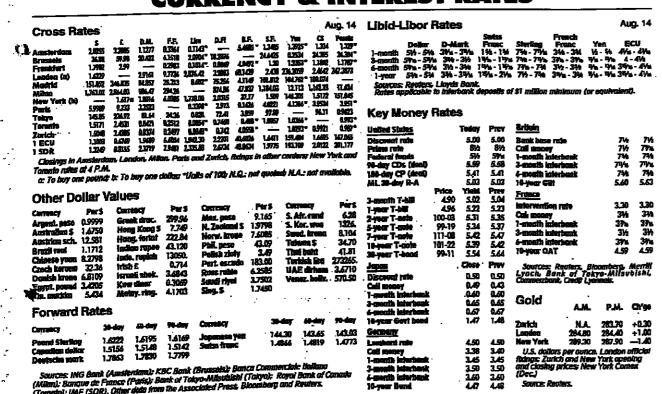
Forty years ago, it was pretty much a relationship between the route salesman and the store manager," Jeff Minges said. "The little stores, they're all gone. Those stores are what built our business. You'd go in and buy a pack of Nabs and a Moon Pie and a Pepsi."

These days, it's much more complex. "Look at all the brands you've got, and look at all the different-sized bottles and cans," he said. "But a store manager can't make a decision because it's all

dictated by a chain.' Some changes have put fresh pres-

sures on small bottlers. This year, they were asked to sign a renegotiated franchise agreement that gives PepsiCo control of lucrative fountain accounts that the bottlers used to handle. Most bottlers, including the Minges family, have signed; about 20 are still holding out.

# **CURRENCY & INTEREST RATES**



# Ciena Shares Plunge on Profit Warning

Dire Prediction Also Pummels Stock of Tellabs, Its Prospective Buyer

Compiled by Our Stuff Front Disposches LINTHICUM, Maryland — Ciena Corp. said Friday it expected its thirdquarter profit to fall drastically short of analysts' expectations, which sent its shares plunging on the Nasdaq stock

market. The warning also sent shares of Tellabs Inc., which plans to buy Ciena, into a free fall. Ciena tumbled \$17.0625 to close at \$54.125, while Tellabs slumped \$13.6875 to \$58.125. That put Ciena shares below their standing on the day that Tellabs unveiled its \$6.86 bil-

Ciena, the biggest maker of equipment that increases capacity on phone networks, said one of its customers had delayed a large order and another had extracted price concessions in exchange

for volume commitments. Ciena said Friday that it expected its profit, excluding charges, to be between 13 cents and 15 cents a share for the quarter ended Aug. 1. Analysts had been Corp. survey. A year earlier, Ciena earned 34 cents a share. Ciena said the third-quarter shortfall

came partly because of a delay in an order worth more than \$25 million. It is also facing more competition from Lucent Technologies Inc., the largest maker of phone equipment in North America. That is forcing it to lower prices, which could hurt future profit margins.

Ciena's warning raised questions about the price Tellabs will pay for the company, analysts said.

In a conference call on Friday, Chief Executive Michael Birck of Tellabs went out of his way to stand behind the deal, said Chandan Sarkar, an analyst at SoundView Financial Group. "But I am hearing from some in-

stitutional shareholders that they want the deal renegotiated," Mr. Sarkar added. Ciena on a one-for-one ratio. On Thurs-

Tellabs is exchanging shares for day, the difference, or spread, in Ciena

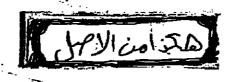
expecting 32 cents, based on a First Call and Tellabs' stock was 62.5 cents. On Friday, the spread widened to \$4 at the end of trading.

"The acquisition isn't looking as good," said Robert Wilkes, an analyst at Brown Brothers Harriman & Co. "A lot of people will start doubting what Tellabs is getting," said Joseph Noel, an analyst at Hambrecht & Quist

Group, who has "buy" ratings on Tellabs and Ciena. Another problem for Ciena is that 95 percent of its fiscal 1997 revenue came

from two customers — WorldCom Inc. and Sprint Corp. WorldCom stopped ordering Ciena equipment in February in preparation for its purchase of MCI Communications Corp. AT&T Corp., the largest U.S. phone company, has told Ciena it will not deploy certain Ciena equip-

ment. Investors were hoping that new business from AT&T would make up for slower demand from WorldCom. (Bloomberg, Reuters)



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• AT&T Corp. will charge new customers who sign up for a calling plan a minimum \$3 monthly fee to help pay for providing service to infrequent callers. • American Airlines Inc. has ordered 15 777 long-range jettiners, valued at \$2.18 billion, from Boeing Co. to help the

airline expand in international markets. Lucent Technologies Inc., a top seller of phone equipment

in North America, expects to take more than \$145 million in charges this quarter for recent acquisitions. McDonald's Corp. has reversed a \$190 million second-

quarter pretax charge tied to introduction of a new food preparation system and will spread out the charges as incentive payments to owner/operators of its restaurants.

 A U.S. judge in the antitrust case against Microsoft Corp. is considering a request from both sides to start the trial on Sept. 22, two weeks later than planned, because of possible delays over the questioning of Chairman Bill Gates. · Philip Morris Cos. will lower its second-quarter net income

to account for a \$63 million charge to pay additional legal costs from settling the state of Texas's lawsuit against cigarette makers. The charges would reduce net income to \$1.74 Bloomberg, AP, Reuters

The Trib In	a o x	Prices a	as of 4:00 P.M.	New York time.
Jan. 1, 1992 = 100	Level	Change	% change	year to date % change
World Index	183.69	<b>— 0.06</b>	<b>— 0.03</b>	+ 6.73
Regional Indexes				
Asia/Pacific	72.35	0.09	0.12	24.69
Europe	222.71	+ 1.30	+ 0.59	+ 15.37
N. America	243.09	<b>— 2.00</b>	0.82	+ 12.55
S. America	111.64	+ 0.27	+ 0.24	<b>— 26.87</b>
ndustrial Indexes				
Capital goods	248.30	+ 0.72	+ 0.29	+ 20.20
Consumer goods	220.43	0.50	<b>— 0.23</b>	+ 5.10
Energy	186.33	+ 1.29	+ 0.70	<b>— 4.43</b>
Finance	131.56	+ 0.31	+ 0.24	+ 6.99
Miscellaneous	143.11	+ 3.30	+ 2.36	<del></del> 4.52
Raw Materials	167.23	<b> 3.28</b>	<b>— 1,92</b>	— 0.01
Service	196.33	— 1 <i>.2</i> 7	<b>— 0.64</b>	+ 12.63
Jtilities	158.30	<del></del> 0.52	<b>—</b> 0.33	<b>—</b> 5.14



### **AMEX**

Friday's 4 P.M. Close

The 200 most traded stocks of the day, up to the closing on Wall Street. A MICC A SECOND CONTROL OF THE PROPERTY OF THE

# Asian Cyber Gangs Hack Into Debit Cards

By Beth Burkstrand Washington Post Service

WASHINGTON - Informationage thieves went on an international shopping spree last week after using computers to guess the debit-card numbers of numerous members of a Washington-area credit union, industry officials said. An organized-crime group in

Asia appears to be behind the fraud, a source close to the investigation said. The group has hit several other credit unions in the United States. the source said, running up several million dollars in charges, and officials have warned the credit union industry to beware.

The thieves apparently used sophisticated computer programs that analyze sample credit card numbers and then generate ones that turn out to be valid about half the time, said

NEW YORK- Stocks fell Fri-

"What we'll have is a profits re-

day on concern that prices are higher

than justified by a dimming outlook

cession, where corporations have

said James Penner, chief investment

officer at the Montana Board of In-

market are that the irrational exuber-

ance is going to go away."

The Federal Reserve Board chair-

man, Alan Greenspan, said in 1996

that the central bank needed to guard

against "irrational exuberance" in

KALAMAZOO, Michigan — Stryker Corp. said

Friday it would buy Pfizer Inc.'s Howmedica orthopedics unit for \$1.9 billion, making it one of the

biggest makers of devices to repair injured joints and

Stryker said it would have about 15 percent of the

orthopedic market worldwide after the acquisition.

Pfizer, the second-largest U.S. drugmaker, is selling

medical-technology businesses to focus on its more

profitable pharmaceuticals, including the impotence

knee and shoulder-repair products, as well as devices

used to hold together broken bones. It will almost

The acquisition will boost Stryker's line of hip,

U. S. STOCK MARKET DIARY

Teday 4 P.M. 1252.60 616.34 234.50 122.87 1062.75 522.77

estments, "The implications for the

trouble raising prices to cover costs,"

for corporate profits.

pili Viagra.

**AMEX** 

**AMEX** 

STOCK SPLIT

INCREASED

INITIAL

U.S. Stock Tables Explained

union insurer that has investigated the case

Security experts see relatively little threat to large institutions such as national banks, which have large staffs and budgets devoted to protecting accounts. The thieves tend to the thieves to get through. go after less secure organizations, such as credit unions, which are smaller with fewer resources.

Among the charges, which the a totaled almost \$1 million to cus- fraud. tomers of the Transportation Federal Credit Union, which serves retired and current employees of the U.S. Department of Transportation, the Federal Aviation Administration and Blue Cross/Blue Shield of the National Capital Area: \$470.10 at IJ Disco in the Malaysian capital of Kuala Lumpur, and \$2,691.60 in

a camera shop near Tokyo.

It is unclear who will ultimately pay for merchandise and services Mark Cis, vice president of corporate property and casualty for Cumis insurance Society, a credit security and validation, or insurers.

The Standard & Poor's 500 index

U.S. STOCKS

Nasdaq composite index sank 12.32, to 1,790.22. About 16 stocks

feil for every 13 that rose on the New York Stock Exchange.

cooling the U.S. economy and help-

percent drop in industrial production

ing to keep inflation at bay.

Stryker to Buy Pfizer's Orthopedics Unit

The government provided more

Corporate Profit Prospects Weigh on Stocks

The Dow Jones industrial average last month, while prices paid to fac-

closed 34.50 points lower, at tories, farmers and other producers

fell 12.16 points, to 1,062.75 and the and much of the rest of the world

evidence that Asia's slowdown is a record low of 5.54 percent, down 10

dampen Stryker's growth next year.

fell 37.5 cents to \$101.625.

大学の大学のなるではないのか

京が 一切なかれるべるけるはあるけ

Nasdaq

The Federal Reserve reported a 0.6 is far from over.

credit union is not new, Mr. Cis said. But recently, authorities have found several cases of misprogramming in security systems that are supposed

Patrick Sullivan, assistant special agent in charge of the Secret Service's Washington field office, said the agency is investigating the

to stop it, creating holes that allowed

"It appears that there will be othfinancial institutions victimized," he added.

Organized-crime groups in Malay-sia, Hong Kong and Macau appear to be at the center of various accountnumber-generation schemes, a source close to the investigation said. Mr. Cis said criminals in Pacific Rim countries appear to be working with corrupt merchants who knowingly accept counterfeit cards.

The fraud involved Visa check cards, a type of debit card, which allow merchants to deduct funds di-

rose a scant 0.2 percent in July.

"With Asia down for the count

wobbling, this comes as no surprise,"

means U.S. consumers will continue

U.S. bond prices posted the biggest

zain in almost two months, driving

financial turmoil in Russia and Asia

The benchmark 30-year Treasury

the benchmark 30-year bond yield to

to benefit from low inflation."

double Stryker's size as health-care providers are

forcing consolidation in the fragmented orthopedics

industry. However, the costs of the acquisition will

"Stryker has been 20 percent earnings growth, come hell or high water," said Robert Faulkner, an analyst at Hambrecht & Quist. "Those bets are off

The type of fraud that hit the rectly from a cardholder's account for a purchase.

In order for perpetrators to make fraudulent charges, they first have to get a valid account number, one that belongs to someone at a financial institution. Stealing cards or picking receipts from the trash are the most common way to get numbers.

But in the computer age, thieves are starting to use programs that can generate usable numbers. The programs work best if the users have a single valid number to start with. These programs then apply sophisticated calculations to determine relationships between the digits in that sample card number and produce other numbers that might work.

Some financial institutions have put in place defenses to counter this and other types of fraud. For instance, merchants may insist that the shipping address used by a mailorder buyer match the billing address the cardholder gave the financial institution.

"There are some opportunities

for people to buy some stocks quite a

bit cheaper than you could a couple of weeks ago." Mr. Penner said. "If

you've got a longer-term perspec-

Chemicals stocks posted the largest decline among the groups in

the S&P 500 on concern that Asia's

slump is hurting U.S. profits. Dow

Chemical, Lyondell Chemical and

Rohm & Haas fell in the wake of Du

quarter earnings would be below

Du Pont fell 1% to 53% and Dow

Lucent dropped 11/2 to 86 9/16 and

Tele-Communications fell 1 13/

16 to 36 7/16 after the No. 2 U.S.

cable company said it would spend

more in the third quarter to upgrade

its network and expected to lose some subscribers. TCI said it had a

loss of \$142 million in the second

J.P. Morgan rose 131/4 to 1301/2

ons industry. The company

Ascend Communications fell 1 15/

year-earlier levels.

16 to 46 7/16.

Chemical fell 41/2 to 851/2.

Ruben, chief currency trader at Banc One Corp. in Dallas. "If Russia defaults, German banks are in trouble." The concerns should keep the dollar strong, he said.

Mark Slips

On Worry

**Over Ruble** 

NEW YORK - The dollar

rose against the Deutsche mark

on Friday on concern that Rus-

sia will not meet its debt ob-

ligations, a move that could hurt

Germany, Russia's biggest

"The world is still worried about Russia," said Chester

FOREIGN EXCHANGE

lender and trading partner.

The U.S. currency was quoted at 4 P.M. at 1.8016 DM, up from 1.7859 DM on Thursday. Persistent market worries

that Russia could devalue the ruble as soon as this weekend kept the dollar well supported. Those concerns intensified after news that Sergei Dubinin.

the Bank of Russia chairman. and Anatoli Chubais, Russia's chief negotiator with international lending organizations, cut short their vacations and returned to Moscow because of the financial crisis. The move by the internation-

al rating agency Fitch IBCA to downgrade 14 Russian banks only further heightened market fears. "The Russia news is really

starting to worry people," said Russell LaScala of Citibank's spot foreign-exchange desk. But many analysts downplayed fears of an imminent ruble devaluation.

The dollar climbed to 146.305 yen from 144.900 amid pessimism about Japan's economic outlook. The government's resolve to clean up the banking system lifted the dollar versus the yen.

"The market remains impatient with the pace of reforms in Japan," said Steve Gallagher, a Societe Generale economist. The dollar was also at 1.5090

Swiss francs, up from 1.4890 francs, and at 6.0385 French francs, up from 5.9825 francs. The pound was at \$1.6170, down from \$1.6247.

(Bloomberg, Bridge News)

### Stryker told analysts in a conference call that after Business Week fueled specgrowth would slow to 5 percent in 1999. Although ulation the investment firm was is in the company expects to be back to 20 percent growth talks to be acquired by Deutsche

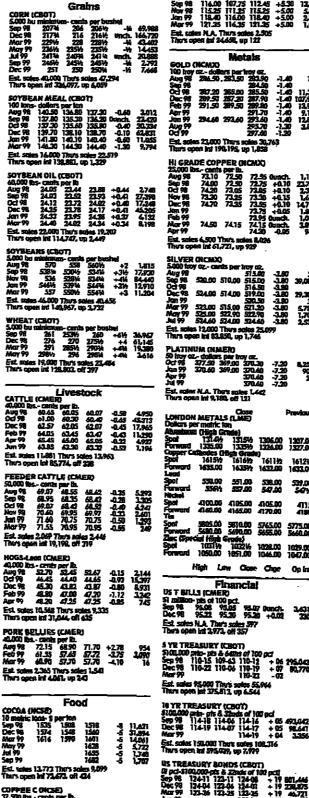
quarter, less than expected.

by 2000, investors view the move as somewhat risky, Bank AG, Germany's largest bank. said Mr. Faulkner, who rates the stock a "buy." Stryker shares closed \$5.25 lower at \$36.25. Pfizer Global Crossing Ltd. rose 61/2 to 25½ on optimism for the telecom-

said economist Oscar Gonzalez of tive, you've got to be buying some John Hancock in Boston. "This good equities."

basis points, amid speculation that Pont's warning Thursday that third-

# INTERNATIONAL FUTURES



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Jon 99 42,68 42.80 40.95
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# Hot French Sun Sweetens the Wine - and the Profits

PARIS — The blistering sun that settled over France this past week should increase the quality of this year's wine harvest, although it will some rich and tasty bordeaux, burcut down on its quantity, wine progundy and cotes-du-Rhone. ducers say.

prices for the second year, good news for an industry that accounts for 2.5 percent of total exports.

France, which vies with Italy as the week. the world's largest wine producer, than 100 billion francs (\$16.72 bil-lion), and even with some crop A high sugar content, which is another year of double-digit income and export growth.

like a very good year," said Laurent grapes to shrivel. Charlier, an enologist at the Bordeanx Wine Interprofessional Com- rainy July in northern and western mittee. "The sun allows the grapes France, which include the areas that

to accumulate sugar." The heat is best for the hearner

And that should mean higher more delicate whites and chamnorth. pagnes from the north, which are not used to the temperatures in the high 30s (up to 100 Fabrenheit) early in

The conversion of sugar to alhas an annual output worth more cohol through fermentation is what

danger from the searing heat, wine brought on by dry, hot summers, growers have reason to hope for produces better wine. Dry weather also prevents molds. But hot sun, especially with the record temper-"Some areas are reporting attres seen in France this week, can burned grapes, but overall it looks cause some of the more exposed

After an unseasonally cool and

red wines produced in the south and center of the country, promising some rich and tasty bordeaux, bursome rich and tas than a week before cooler but still

> The south, which includes the Chateauneufdu-Pape and Languedoc areas, has had hot weather since early July, but the types of grapes grown there are used to the

Mediterranean sun. Marie-Annick David, a producer of white muscadet in the Loire Valley in the center-west of France, said her harvest this year could be cut by about 10 percent because of the heat, but that the quality of the remaining grapes would be better.
"The grapes like the sun," she

In the champagne area, up to about 5 percent of the grapes were "grilled" by this week's heat wave, meaning they shrivel and drop off before maturing. It is the first time that has happened in more than five

But this year's champagne harvest will still exceed last year's,

The harvest will probably come that represent France's various up against the limit of 10,400 kilo- types of wine would make predicgrams (22,880 pounds) of grapes per tions for this year's vintage because nectare that was set to control quan-

to £309 million (\$502 million) for advantage of the strong growth in the

Sun is essential for the grapes, but it's always scary when you see a sun so hot that it grills the grapes.

> tity and quality. Last year, just under 10,000 kilos a hectare (2.47 acres) were picked.

> \*Sun is essential for the grapes, but it's always scary when you see a sun so hot that it grills the grapes," Mr. Lorson said. "But the effect has been limited, and we're very op-

> timistic for this year." Beaujolais production, using the gamay grape, which resists heat better than the chardonnay grape grown in the champagne area, will also be cut this year, but it will be because of a frost in April, not because of the spokeswoman Anne Mathon

"It's August that makes the qual- to 42 billion francs last year.

Dennis, which tramped May-

Dennis said Friday that May-

flower's offer possessed "little stra-tegic logic" and would provide Mayflower with significant finan-

flower's £255 million bid.

make champagne, bordeaux, bur-gundy and beaujolais wines, tem-attack in July, said Daniel Lorson, weather is exactly what we've all been hoping for.

None of the regional associations there are still between three and seven weeks until the

grapes are harvested, depending on the area. "We are crossing our fingers because one period of stormy weather and

the crop will be ruined," the spokeswoman said. Early August is crucial for grapes because it is then that they change color from green to either ruby or golden, depending on the variety, and that they begin their final matur-

They also said they could not forecast prices, which are set by various auction systems, once the wine has been put into barrels this fall. But they said the combination of smaller quantity and high quality

would obviously help. Overall, the income of wine growers gained 23 percent in 1997 from 1996, the Agriculture Ministry said in May. Exports rose 16 percent

British bus market as newly private

bus operators order buses to replace

a year that Mayflower could be faced

with an unsuccessful takeover effort.

Mayflower last year considered a

takeover bid for Vickers PLC, a

company almost twice its size, in an

attempt to gain control of Rolls-

Royce Motor Cars Ltd., later sold to

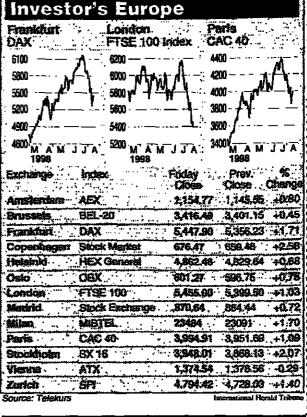
Bayerische Motoren Werke AG and

Volkswagen AG. Mayflower dropped the idea after BMW, a long-

time customer, threatened to cut off

This is the second time in less than

formerly state-owned fleets.



### Very briefly:

· Gehe AG, the German pharmaceuticals wholesaler, reported that pretax profit before exceptional items climbed to 240 million Deutsche marks (\$134.5 million) in the first six months, up 5.7 percent from the first half of 1997.

· Astec (BSR) PLC, the British power conversion company, is acquiring the advanced power systems business from Northern Telecom Ltd. for \$325 million.

• Deutsche Bank AG shares rose after a Business Week magazine report prompted speculation that Europe's secondlargest bank may be in talks on a \$30 billion takeover of J.P. Morgan & Co.

• Sweden's jobless rate rose to 8.0 percent in July from 6.9 percent in June as students registered at unemployment offices for the summer. The rate compared with the 9.1 percent in the same month last year.

• Germany's economics minister, Guenter Rexrodt, said he did not expect the market turmoil in Asia and Eastern Europe to have a major impact on the German economy.

• Daimler-Benz AG reported that worldwide sales of its small Mercedes-Benz A-Class car totaled 63,000 units from the beginning of production late last year to the end of July.

• Portugal's inflation rate rose by 0.2 percent in July, above analysts' expectations of up to 0.1 percent, and was driven higher by tourism at the Lisbon Expo World Fair.

 France's employment rose 0.5 percent in the second quarter as growth continued to create jobs, though not at the record pace of 0.7 percent seen in the first quarter.

• South Africa's bond, stock and futures exchanges plan to. merge in a bid to improve efficiency and transparency. The combined exchange would help to attract foreign investment,

# **London Tube to Adopt Smart Cards for Fares**

LONDON - London's Underground transport system may be shabby, crowded and desperate for will use smart cards — cards carcash, but a £1 billion (\$615 million) rying encoded information, such as contract awarded on Friday will give it up-to-date ticketing, which could cut fraud and save millions in

London Transport, the owner of the subway network, announced on Friday the signing of a 17-year contract with the Transys consortium, which includes Electronic Data Systems Corp. and Cabic Corp., both of the United States, and two other

commanies. Not only the ticketing system is to be modernized. The European Investment Bank, the European Union's financing arm, said Friday it would lend £123 million (\$75.7 million) for modernizing the subway's

electric systems. The loan goes to Power Asset Development Co., which will be responsible for construction.

The work is to be performed as a private finance initiative under a 30vear concession awarded Thursday

Seeboard Powerlink, the European

Investment Bank said. The new ticketing technology rying encoded information, such as the number of journeys paid for. This will make it easier to catch farebeaters, who now get away with £30 million to £40 million a year in free

rides, the Underground says. Transys will install and operate the ticketing system, which will cover the subway, buses and some parts of the rail network.

AMSTERDAM - The central bank of the Neth-

erlands has tightened loan requirements to six countries

by raising the amount of money Dutch commercial

banks must set aside to cover potentially bad loans

irements for loans to Indonesia, South Korea, Pakistan,

resulting from the Asian financial crisis.

The central bank said Friday that it had raised re-

Turkey, the Philippines and Thailand on June 30.

**Dennis Spurns Mayflower for Henlys Bid** 

LONDON -- Dennis Group PLC rejected a hostile takeover bid on Friday from Mayflower Corp. in favor of a higher offer from Henlys Group PLC, but analysts said the battle for the maker of buses and fire

engines may not be over.

Dutch Tighten Loan Rules Amid Asia Crisis

cial challenges. Both Henlys and Henlys raised its bid 63 percent, Mayflower are scrambling to take

> other emerging markets appear to be persisting or even deepening. The largest Dutch banks did not wait for the central

bank requirement, and have already taken measures to counter the possibility of default by borrowers.

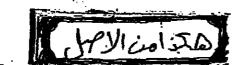
ABN-AMRO Holding NV said in February that it had put aside 500 million guilders (\$248.5 million) against flower doesn't want to miss out on bad loans in Asia, 29 percent of its 1.7 billion guilders in this one.

outstanding private-sector loans to Indonesia. The requirements come as a growing number of European banks are preparing for the worst by putting million guilders for possible bad loans in Asia, adding shares closed at 512.5 pence, down

engine supplies to the luxury cars.
"It's not all over yet," said Tim Kluczkowski, an analyst at Gran-ville Davies. "After Vickers, May-

Shares in Dennis closed at 508.5

year concession awarded Thursday European banks are proby London Underground Ltd. to aside cash as economic	eparing for the worst by putting million guilders for possible bic troubles in Asia, Russia and to 500 million guilders already	pad loans in Asia, adding shares closed at 512.5 pence, down y reserved. 52.5 pence. (Reuters, Bloomberg)	the exchanges said.  AFP, Rewers, Bloomberg
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ASIA/PACIFIC

# Hyundai Registers First Loss Since 1981

# Automaker to Shut Blockaded Factories

Compiled by Our Staff From Despatches

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SEOUL - Hyundai Motor Co. posted its first loss in almost 20 years Friday and said it would shut five factories indefinitely after a four-day blockade by striking work-

reported a net loss of 1.21 billion won (\$908,000), in the first half of the year, its first loss since 1981. In the first six months of 1997, it made a net profit of 28.2 billion won.

Sales plunged 20.8 percent to 4.29 irillion won in the six-month period.

The company said the recession killed demand at home and the labor strife and fierce Japanese competition prevented it from cranking up exports.

A company spokesman also said that the business outlook for the second half of 1998 looked "pretty bad" because of the strikes. Hyundai Motor expects to post a full-year loss, but it refused to give a

forecast. "Half-year results indicate this would be the worst earnings ever in our history," said Min Kyung Hwan, a company spokesman. Hyundai said it would shut the

plants in the southern city of Ulsan after failing to break the blockade and resume production. About 127 managers were injured in scuffles with union workers, according to local media reports. "Hyundai will indefinitely shut down plants as of 3 P.M. today," the

Hyundai Motor president, Park Byung ae, said Friday. The executive was in Ulsan this week in an attempt to persuade workers to resume work The latest strike has already cost

the company 718.5 billion won in lost production, or 7,964 vehicles, as of Thursday. Managers who entered the plants to restart production were attacked by union workers, the com-

pany said. The Hyundai strike is seen as an important test of the Korean government's resolve to reduce the power of unions as companies strive to shed workers to weather the worst recession since the Korean War of 1950-53. Unemployment has tripled since November and in June reached

The cause of the latest walkout was Hyundai Motor's move to fire 1,569 workers, or 4 percent of its

Analysts said Hyundai's losses South Korea's largest automaker would almost certainly grow in the sported a net loss of 1.21 billion second half due to the standoff with

> The factories have been shut since the start of the strike on July 20 to protest mass layoffs.

For Korean automakers, bumpy roads lie ahead," said S.H. Lee, analyst at Dresdner Kleinwort Benson Ltd. (AFP, Bloomberg)

# U.S.-Korea Trade Talks Deadlocked

Agence France-Press SEOUL — The United States and South Korea have

failed to reach agreement on a lingering auto markets dispute that has Washington threatening Seoul with sanctions, reports said Friday.

Senior trade officials in Seoul said they were determined not to give in to U.S. demands that South Korea lower its tariffs on imported cars from 8 to 4 percent, the national Yonhap news agency said. Three days of talks ended in Washington late Thursday with the two sides reportedly still at odds.

Yonhap quoted a South Korean source close to the talks as saying that 8 percent was still lower than the 10 percent levied by the European Union. But the U.S. stuck to its guns.

Washington warned Seoul in October that if it failed to cut tariffs it could face sanctions. South Korea has resisted, pointing to an economic crisis in Asia that has forced South Korean automakers to proceed with their first mass layoffs.

A laid-off worker and his sons in the union's tent city at the Hyundai plant in Ulsan, South Korea.

# **Asian Recession Curbs Taiwan's Growth**

TAIPEI - The government acknowledged Friday what businesses growth for 1998.

The slowdown in one of Asia's gross domestic product was on track counting and Statistics. to grow 5.3 percent this year, down 1.47 percentage points from the 6.77 percent pace of 1997.

The state statistics directorate said that second-quarter GDP rose 5.21 percent against a year earlier and predicted that growth would bottom out at 4.95 percent in the

The second-quarter growth was and economists have said for the slowest in two years and fell months: Asia's recession will erase short of the government quarterly more than a percentage point from Taiwan's still-admirable economic government projected 1998 growth at 6 percent. The new estimate would be the slowest growth since last high-growth economies became 5.0 percent in 1985, said the Diofficial with an announcement that rectorate General of Budget, Ac-

> "This is a very realistic, very practical forecast," said Wei Duan, chief statistician at the directorate. Mr. Wei said the year-old Asian financial crisis was more damaging

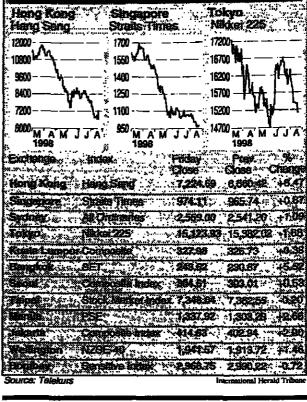
> than expected, slashing regional demand for Taiwan exports. Growth now was being driven

third quarter before rebounding to entirely by domestic consumption, 5.21 percent in the fourth. entirely by domestic consumption, rather than by trade, he said.

"The impact of Asia's financial storm exceeds everyone's expectations, and the impact to our economic growth therefore has widened," Mr. Wei said. "But among the four Asian dragons, our performance is still admirable." South Korea and Hong Kong are

undergoing economic contractions, while the fourth so-called dragon, Singapore, has seen growth shrink to 1.3 percent, according to international estimates.

But Mr. Wei warned: "Our economy relies heavily on trade. As economies in most of Asia are weakening, a slower growth in Taiwan is



Investor's Asia

### Very briefly:

 India's economy is expected to expand 6 percent in the fiscal year through March, as a normal monsoon season helps lift farm output 4 percent, said Y.V. Reddy, a central bank deputy governor.

• The Philippines posted a trade surplus of \$130 million in June, its first in almost a decade, as the slowing economy and the depreciation of the peso cansed imports to plunge 25.5 percent from a year earlier, while exports rose 12.3 percent. Korean Air reported net income of 58.4 billion won (\$43.8)

million) for the first half, after a loss of 134.4 billion won a year earlier. It cited gains from sales of aircraft. • Microsoft Corp. plans to establish a regional operations

center in Singapore, employing about 100 people to support manufacturing and sales for the Asia-Pacific region. • Woodside Petroleum Ltd. of Australia and Shell Australia

Ltd. plan to jointly explore for, produce and market oil and gas, which may result in the sale or swapping of assets.

 China's benchmark investment indicator, spending on fixed asset investments, grew 22.8 percent last month, the fastest

# IMF: Russia Finds Itself Again at the Brink Despite the Recent Massive Funding Program

### Continued from Page 1

the Russian currency.

That is the scenario feeding the fears of the Clinton administration, because a collapse in the ruble could rekindle hyperinflation. That in turn would endanger President Boris Yeltsin's reform-minded government, which has claimed credit for stabilizing prices — one of the few bright spots in Russia's economic picture. Washington's deepest worry is the possibility

that such an environment might enable extremist forces to gain power in a country armed with SEOUL - LG Semicon Ltd. of ics Co. will halt production of mithousands of nuclear weapons.

President Bill Clinton is heading for a summit in Moscow on Sept. 1, and his top foreign policy and economic advisers were heavily engaged in discussions this week about how to turn the crisis around. Mr. Clinton and Mr. Yeltsin held a long telephone conversation on Friday, the Kremlin press service said, according to Reuters.

When the IMF approved its rescue plan on July 20, few market players quarreled with the

The idea was to lend Moscow enough dollars and other "hard" currencies to convince markets that, for the time being at least, the govemment could pay its bills comfortably and accommodate all requests to sell the ruble with-

out letting the currency's value fall. The money was doled out under strict conditions aimed mainly at forcing Moscow to take painful actions needed to balance its budget, because the government's incessant borrowing had driven interest costs to astronomical levels that were clearly unsustainable. In particular, the of foreign currency debt, was about five times shareholder equity at the end of last year. (AFP, Bloomberg) IMF insisted on a major crackdown on tax evasion, which has grown to epidemic proportions.

Fund for the program in Russia the way they are for some of the programs in "said Charles Blitzer, director of emerging markets research at Donald-

son, Lufkin and Jenrette in London. But Russia's credibility with investors was low, because it already had been receiving IMF funding under a 1996 loan package and had often failed to meet the conditions set by the 182nation organization.

Market skepticism deepened when the Communist-dominated State Duma refused in mid-July to pass some of the most important tax measures. And although Mr. Yeltsin enacted them by decree, worries remained that his decrees would be ruled unconstitutional.

Making matters worse is Japan's failure to fix its banking system, which has unnerved investors worldwide about the

"The markets aren't criticizing the risks of having money in Asia and other emerging markets.

Meanwhile, Moscow's reserves of dollars, which totaled \$17 billion at last count a week ago, have begun to look inadequate in comparison with the debts coming due over the next several months. In normal times, of course, the government can simply roll over debts. borrowing fresh money to pay off the old. That option becomes untenable. however, as banks and other investors balk at keeping their funds invested in

the country's securities. 'All these things are feeding on each other," said Ben Slay, senior economist at PlanEcon Inc., a Washington firm specializing in former Communist economies

It is conceivable, analysts said, that market sentiment could take a turn for the better — if the picture in Asia started

brightening, for example, or if the Russian government took some dramatic step to improve tax collections.

But given the potential consequences of delay, expectations are rising that the G-7 will hatch some new rescue plan. Under one scenario that is being widely discussed in the markets, Russia

would receive more foreign loans, with the proviso that banks and investors would take a hit on their holdings of Russian bonds, thereby giving the govemment some additional breathing Moscow could simply decree, for ex-

ample, that three-month bonds would be paid back over five years, and one-year bonds paid back over a longer period. Such a solution has drawbacks because it might so anger investors that Russia would face even greater difficulties raising money in the future.

### MOSCOW: Russia Stocks Rebound But Pressure on Banks Looms

"The foreign-exchange market dried up. But fortunately, nobody's clamoring for their money.

For the moment, the critical question is whether the banks will do as well next week. The Thursday crisis was rooted in months of speculating by some banks in high-yield government bonds and currency "forwards" - contracts to buy or sell currencies at specified future dates. The banks had bet that the ruble would remain stable and that the bond prices would not collapse - and when their bets soured, they were unable to

Russia's Central Bank has begun pumping money into some of the most illiquid banks, and analysts said it was spending still more money to keep the value of the ruble from deteriorating further. That pleased investors, but it is uncertain how long the Central Bank, which has only \$17 billion in reserves, can continue without outside help.

Russia's leaders continued Friday to reject calls to devalue the ruble, a move that would instantly reduce the nation's debt, but would also ignite inflation, voke a political showdown with Communists and nationalists.

troversial provisions of the plan.

Mr. Yeltsin also had a lengthy tele-

President Boris Yeltsin, in the ancient city of Novgorod, said Friday that 'there will be no devaluation — that's

firm and definite." "That would signify that there was a disaster and that everything was collapsing," he added. "On the contrary, everything is going as it should."

Mr. Yeltsin made a point of noting

that he had not even broken his summer vacation to return to Moscow, but instead had directed Prime Minister Sergei Kiriyenko to press ahead with an overhanl of tax and budget policies that is seen as critical if the government is to remain solvent.

Mr. Yeitsin also summoned the Communist-controlled lower house of Parliament, the Duma, into emergency session to address the fiscal crisis. Because the Duma has refused to meet, Mr. Yeltsin has been forced to issue a series of legally dubious decrees ordering Mr. Kiriyenko's overhaul.

On Friday, the Communists, apparently struck by the seriousness of the collapse, grudgingly agreed to convene, still insisting that they will have nothing

phone conversation about the crisis with President Bill Clinton on Friday, the Kremlin said. The White House said Thursday that it had forcefully urged Russia to restore confidence in its economy, but was silent on whether the United States would come up with further loans to help Moscow do just that.

Other officials said that finance ministers of the so-called G-7, the major Western industrial powers, were already talking about how they might assemble another loan package or other assistance to steer Russia away from bankruptcy.

### ■ Russia Sets Gazprom Price

Russia set the starting price for 5 percent of OAO Gazprom at a 46 percent premium to its internationally traded share price as the government struggles to raise cash to narrow its budget deficit,

Bloomberg News reported.
Prime Minister Kiriyenko signed an order setting the price of the stake in the world's biggest natural gas producer at 10.34 billion rubles (\$1.65 billion) and requiring bidders to deposit 320 million rubles with the government. The date

### destroy investors' confidence and proto do with tax increases and other confor the sale has not been set.

### Continued from Page 1

exchange to prop up the Hang Seng. Hong Kong's action underscores that, after several weeks in which the falling Japanese yen had commanded the attention of Asia's markets, curreacy trading is turning into a blood sport elsewhere in the region.

"a whole host of improper measures" to undermine the Hong Kong dollar. He that Hong Kong was going to break its exchange rate, which is linked to the U.S. dollar, that China was about to devalue its currency, the yuan, and that Hong Kong banks were unstable.

Although the government's move rescued the Hong Kong stock market from one of its most dismal weeks in recent memory, several analysts said the underlying reasons for Hong Kong's economic woes remained.

"The weak yen is clearly the fundamental driver, and it is growing weaker by the day because of domestic de-velopments," said Jan Lee, chief economist at Hong Kong and Shanghai Banking Corp. "The Japanese authorities lack the political will to deliver the necessary changes."

While the yen rebounded slightly Friday in Asian trading after its sharp drop against the dollar this week, it is still trading near an eight-year low against the U.S. currency.
Some analysts said they were troubled

by the Hong Kong government's bel-licose tone, which they said could erode the confidence of investors. They noted that Malaysia had scared off investors because of inflammatory remarks about currency traders by Prime Minister Mahathir bin Mohamad, compounding the damage that speculators had done.

"It is legitimate to wage war against speculators in a calculated manner,' said Miron Mushkat, a strategist at Indocam Asia. "But Hong Kong is turning this into something of a jihad against the speculators."

Beyond the issue of rhetoric, some analysts said they feared that Hong Kong might be unable to maintain its commitment to a linked exchange rate at a time when the yen is spiraling downward and virtually all of Hong Kong's neighbors have devalued their currencies.

Under Hong Kong's monetary regime, the Hong Kong dollar is pegged to the U.S. dollar within a narrow trading range (with the U.S. dollar roughly at 7.8 Hong Kong dollars). When traders sell the currency in large volumes, it

which forces down asset prices and eventually makes the Hong Kong dollar

attractive to investors. The trouble with such a system is that the government must be prepared to tolerate painful surges in interest rates, which can strangle credit and hobble

economic growth. 'The politicians are absolutely committed to the exchange rate, but at what cost?" Mr. Lee asked, "At the cost of a very significant deflation in Hong Kong far more than what I believe people are willing to tolerate.

Previous efforts to defend the Hong Kong dollar have resulted in sharp drops in property prices and the stock market, which is largely driven by real estate

industry values. Sir Donald said Friday that the attacks on the Hong Kong dollar were designed to force just such a chain reaction of soaring interest rates and swooning stock prices. He said the same hedge funds that had speculated against the currency had accumulated short positions in the shares of Hong Kong companies. When those stocks plunged, he said, the hedge funds stood to make a tidy profit.

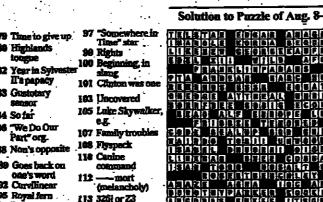
By engineering a rally in stocks, the government hopes to inflict heavy losses on the hedge funds — a punishment it believes will dissuade them from tartriggers a rise in interbank interest rates, getting the currency in the future.

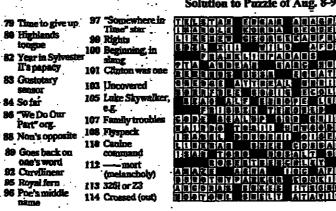
### 290 won, to 9,800 won, on Priday. Still, the stock has lost nearly half its

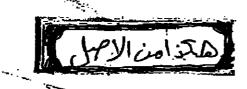
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O New York Times/Edited by Will Shortz.

Solution to Puzzle of Aug. 8-9







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million) for the first six months of 1998 amid a global slump in mi-The loss reversed a 1997 first-half sure to restructure under a governprofit of 16 billion won. Sales rose ment drive to reform industry to help to 1.21 trillion won from 849.3 bil- cure the country's economic woes. The company said the loss reflected the prolonged drop in demand in the semiconductor industry

week in a bid to reduce the worldwide glut of microchips. It was the

first time that the company had suspended production. the global downturn.

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Big Loss at Korea Chipmaker

value this year. down from 167 billion won a year

At LG Semicon, the loss was largely in line with analysts' estimates. The company's shares rose

LG Semicon had operating profit

of 13.5 billion won in the first half, earlier. The company has had to set aside 560 billion won to pay interest and to cover foreign-exchange losses. Its debt, including \$3 billion

South Korea on Friday reported a crochips for seven days, its third net loss of 249.1 billion won (\$186.9 suspension since June. Like other industries suffering from overcapacity, South Korea's semiconductor sector is under pres-

Continued from Page 1

cover their losses.

# HONG KONG: Government Battles Speculators, Lifting Stocks

were also buying shares on the stock

Using remarkably blunt language, Sir Donald accused traders of employing said they had spread "vicious rumors"

Friday's 4 P.M. The 1,000 most traded National Market securifies terms of dollar value, updated twice a year.

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Website: www.iht.com/IHT/MONEY

# Investing at Albion's Edge: An Asian Drag on Scottish Factories

By Barbara Wall

COTLAND HAS more to offer than whisky, oil and tartans. Some of Britain's fastest-growing companies have Scottish roots, such as the transport companies Stagecoach Holdings PLC and Firstbus PLC. But while further opportunities exist in selected industries, investors cannot just také a headlong dive into the country — reports from trade organizations and financial institutions suggest the tartan economy may not be as robust as some pundits would like them to believe.

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'Manufacturing throughout the British Isles is suffering due to the strong pound and problems in Asia, but Scottish manufacturing companies are worse off than companies in England because they are more reliant on exports and have greater exposure to Asia," said Chris Williamson, the writer of a monthly report on the Scottish manufacturing industry for NTC Research, an economics consultancy based in Hen-ley on Thames, near London. "Drinks companies, electronics firms and textile companies have been hit particularly badly."

liament next year is seen by some members of the business community as a source of concern. could produce some attractive investment opportunities," he continued. "Many of the Scot-According to analysts, the chief worry is that the Scottish National party, which is likely to hold sway in the new Parliament, will introduce business-unfriendly tax initiatives.

But the Scottish economic picture is not all doom and gloom. Mr. Williamson said the financial-services and communications industries are experiencing strong growth, though the pace has slowed in recent months.

Given the Scots' reputation for prudence it is perhaps not surprising that the country has acquired an international reputation for excellence in financial services. Justin Urquhart-Stewart, a spokesman for Barclays Stockbrokers in Glasgow, said that he expected the Scottish financialservices sector to continue its strong growth.

"Scottish financial-services companies have not been tainted by the rogue-selling scandals that have hit English companies. They also benefit from having a better-educated work force. The Scottish education system is widely perceived to be better than the English one," Mr. Urquhart-Stewart said.

\*Further consolidation in Scottish financial

Also, the inauguration of a new Scottish Par-services is likely in the months ahead, and this

tish life companies, such as Scottish Mutual Assurances PLC, are strong candidates for takeover. These companies do not have the economies of scale to continue growing, and they have good brands that can be developed for the international market."

James Laing, a fund manager with Tilney Investment Management in Edinburgh, said that if he had to pick a winning Scottish-financial services company he would opt for Bank of Scotland, the largest by market capitalization.
"The Bank's share-price performance has been fantastic. In the last 12 months, to the end of July, Bank of Scotland has outperformed the All-Share Index by 39 percent. Although the share price was affected by recent market corrections, the stock has not fallen by as much as its peer

group," he said.

What makes it attractive? "The company is very well managed," Mr. Laing said. "To get a feel for this, investors need only take a look at the company's cost/income ratio, which is how banks measure the efficiency of their operation. Some British banks spend more on running their operation than income received. With a cost/

by far and away the most efficient of all the ottish banks.

For investors seeking a conservative Scottish stock, Mr. Laing recommended ScottishPower PLC. "ScottishPower has already been hailed as a great Scottish success story, but there is still a lot of mileage in the company. It is the only true multiviilities company in Britain. It owns South West Water in England and is expanding aggressively into telecommunications and the Internet. In terms of stock-market performance the company has been a real plodder, but it pays a regular dividend and is a very safe and reliable investment bet."

Judith Mackenzie, an analyst with the Bell Lawrie White & Co. brokerage in Glasgow, has

income ratio of 50 percent, Bank of Scotland is a specialist knowledge of small Scottish companies. She follows several technology stocks, and atop her list of investment recommendations is Aortech International PLC. Aortech, listed on the Alternative Investments Market, develops heart valves and other medical devices.

"The market for technology stocks has been difficult in the past few months," Ms. Mackenzie said, "and Aortech's share price performance has reflected this, but the company has a good story to tell. Aortech is six months away from introducing a new heart valve that will blow the rest of the market away. The heart valve will open-up opportunities for different types of heart surgery.' She also likes Vision Group PLC, a supplier of

microchip imaging sensors and cameras. The. share price performance has been fairly dismal," she said, "but the company has some good products and has been slated as a possible takeover target by one of the major original equipment manufacturers. Although I like the company, it should be seen as a highly speculative investment."

Quickfit Holdings PLC, a chain of garage repair outlets which offer additional services such as insurance, was one of the small-cap stocks recommended by Mr. Laing. "Quickfit, as with many Scottish companies, owes its success to one dynamic individual: Tom Farmer. Mr. Farmer has created a company with a strong national presence," Mr. Laing said. "Ask any car owner in the British Isles to name a handful of garage repair operators and the vast majority would probably struggle to name an operator other than Quickfit. The company is also expanding aggressively into Europe. There are now 168 Quickfit outlets in Holland and Belgium, which brings the total number of outlets to 922."

Many Scottish companies are too small to get a stock marker listing, but there is a closed-end fund listed in London that invests in them. Abtrust Scotland, a dedicated Scottish Investment Trust, was introduced in 1987 by Aberdeen Asset Management. Hugh Little, Abtrust's manager, said: "We always take a minority equity stake and look to make money when the company is floated on the stock market, or sold on. Our biggest success story is Firstbus. The fund's initial investment of £15,000 is now worth around £7 million."

Although the fund is invested in many sectors, it has a strong bias toward oil services. "In the last five years or so," Mr. Little said, "the technology used in the manufacturing of key drilling components and in equipment maintenance has moved on dramatically. The expertise that Scottish companies have gained in these areas will be sought as more oil fields open up in Eastern Europe and elsewhere."

For further information, call: ABTRUST SCOTLAND, 44 1224 633070 BELL LAWRIE WHITE & CO. 44 141 314 8109. • TILNEY INVESTMENT MANAGEMENT: 44 131 225 7846 • NTC RESEARCH: 44 1491 411 000

# Underexposed, Undervalued

Companies in Northern Ireland Trade at Discount Prices

By Conrad de Aenlle

ORTHERN IRELAND is home to companies that local investment advisers argue would make good components of a British equity portfolio. yet they tend to escape the interest of mainland investors. About a dozen Northern Irish companies trade on the London Stock Exchange, with some having second listings in Dublin. It is hard for them to attract investors for several reasons, one of them being the difficulty that investors have aying to reach them.

"It does suffer a disadvantage from being across the water," observed Gervais Williams, manager of the Gartmore Irish Smaller Companies Fund, whose portfolio includes

several companies in the province.
"There's a physical barrier. Fund managers that want to meet businesses have to go farther and make more coreplicated travel plans. In terms of the way businesses operate, they re all very similar to [mainland] U.K. companies. But they don't get the exposure they really deserve.

These logistical difficulties leave companies in Ulster trading at cheaper valuations than their counterparts in less remote parts of Britain, as do two other circumstances. Patrick Mahony, a director of the Belfast brokerage BWD Rens-

Powerscreen Effect. The latter refers to the collapse in the stocks of two machinery companies. Powerscreen International PLC and Mackie International Group,

after reports of accounting irregularities.

"Powerscreen was a world-class engineer, vying to be Northern Ireland's largest company by market capitalization," Mr. Mahony said. That was last autumn, when the company was worth about £700 million and its share price was above £7. After falling as low as 45 pence, the stock has clawed its way back toward £1. Mackie's shares suffered a drop of similar propor-

The managements have been replaced and the companies are on the mend, but the damage to investment in the region has been done.

"The difficulty is that there is a small number of quoted companies," Mr. Mahony explained. "Two of 10 or 12 having accounting irregularities takes the gloss off Northern Ireland."

So does the Drumcree Effect, which probably cannot be solved by new management. Drum-cree is the site of clashes last month between Protestant groups and security forces during the commemoration of a Protestant military victory three centuries ago.

Despite the recent accord among various political interests in the province; sectarian violence continues and is factored into share prices, Mr. Mahony said.

Take the retailer Hampden Group PLC, "the stock that's most specifically thought to be Northern Irish," he said. When violence flares, people do less shopping, and there is the chance,

albeit remote, that retail outlets will be blown up. That leaves Ulster retailers trading at roughly eight times earnings, compared with 12 times for their mainland counterparts. "It's extraordinarily Drumcree-driven," Mr. Mahony said of Hampden. "It looks inexpensive at its current price." Late Friday, Hampden traded at 75.5

Mr. Williams also considers Hampden un-dervalued and has a similar opinion about Lamont Holdings PLC, a textile maker with "a history of difficult trading that has held back profits in the past." The company's shares are so depressed that the yield from its dividend, which it has no trouble covering from earnings, has climbed more than 14 percent, he noted.

Lamont "has an efficient and focused management now," Mr. Williams said. Trading conditions in the textile industry aren't necessarily easy, but the market is improving and the company is investing heavily. It's a trusiness that I would suggest is well out of fashion and probably deserves a much better valuation going forward."

Another stock Mr. Mahony recom-

mends is Viridian Group PLC, a power company formerly called Northern Ireland Electricity, which "looks inexpensive for a utility at the moment," he said, because of restructuring

Viridian's stock is priced at less than 14 times idend yield of 4.74 percent.

Mr. Mahony speculated that Northern Irish stocks could benefit from developments south of the border. The benchmark stock index in the Irish Republic, the Iseq, was recently expanded to include all publicly traded companies in Ulster, which means that Irish fund managers who build portfolios to match the performance of that barometer will have to buy Northern Irish shares.

FURTHER BOOST would come, he said, if the embryonic Northern Ireland assembly, authorized to govern local affairs under the April peace agreement, moved to reduce corporate tax rates to remove "the incentive to go to south," where the Repulic's levies are lower.

"The new assembly should cut taxes; it's got to do something radical to kick-start the economy," he said. Lowering tax rates "would be extraordinarily creative."

The business-friendly tax regime in the south has helped to fuel an economic boom there. Whatever the Ulster assembly does, Mr. Ma-hony said he expected the south's good fortune to spill over.
"Northern Ireland could become an emerging

market," he said. "We have a Celtic tiger to the south; the chances of becoming a Celtic cub are

For further information, contact: e BWD RENSBURG. Telephone: 44 1232 321 002 (Panick Mahony).

«GARTMORE IRSSI SMALLER COMPANIES FUND. Telephone 44 171 782 2991, or, toll-free in Britain, 0800 289 336. Website: www.lii.co.sk/

# Peaceful Backwaters Trade Up to Own Bourse

IKE NORTHERN IRELAND, the Channel Islands suffer from a lack of proximity to fund managers. Unlike Northern Ireland, these specks in the English Channel, far closer to France than Britain, are not riven by political turmoil or violence.

The principal islands, Jersey and Guernsey. are placed places with no riving of any sort - but an attitude among investors that the islands are too small to bother with keeps a lid on valuations of the London-listed companies based there. Being an offshore financial center, the Channel Islands plan to counter their low profile with

their own stock exchange this fall. "Looking across the board there are cheaper valuations than in the U.K. or other markets,' observed Shane Le Prevost, head of the brokerage Collins Stewart (CI) Ltd. Whether that is justified is debatable.

"Take Guiton Group," he said, using the Jersey newspaper publisher to illustrate his point. "You could argue, 'Where is it going to expand?" So maybe it should carry a lower priceto-earnings multiple than a mainland publisher. But, he added, "you could also argue the other way, that it's a monopoly and should carry a

In either case, he likes Guiton's shares, as well as those of International Energy Group Ltd. The name sounds grand for a Guernsey company, but it actually has interests in Portugal, in addition to being the gas utility in Jersey, Guernsey and the Isle of Man. The company's stock "is up 50 percent this year," Mr. Le Prevost said, "but I believe it will provide good value on a longerterm view.'

Ann Street Group Ltd., a Jersey-based brew-ery, likewise has "a reasonably low P/E and represents good value," he said, although cool, wet weather in the region this summer could temporarily depress profits.

The best-known Channel Islands company lately — and unfortunately — is Flying Flowers Ltd. Its share price was cut in half last month after disclosure that a gardening ven-ture had failed. It had been expected to produce strong returns and so earnings estimates were slashed.

Flying Flowers Ltd. "now looks very cheap. Mr. Le Prevost said, arguing the gardening effort was "a one-off management mistake." Speaking of mistakes, the brokerage had a buy rating on the stock before the price collapsed.

Mr. Le Prevost is one of the architects of the Channel Islands Stock Exchange, due to open in October. The exchange will list companies too small to trade in London and will provide a second home for local London-listed companies. It will also list investment funds and debt instruments.

"The response we've had from both islands, from London and from further abroad has been encouraging," he said.

Peter Paturel, an investment director at Cater Allen, a Jersey brokerage, is reserving judgment. His firm has decided not to be a marketmaker a broker that agrees to continually provide offers to buy and sell shares in certain stocks in order to

maintain liquidity - when the exchange opens. "It's a very novel idea; it will be a limited market to start with," Mr. Paturel said. "We're waiting to see how it pans out, but there's a willingness to push this forward and put some of these stocks more into the lime-

The problem for the exchange, and for the market generally, is that this is an era of global investing, and the Channel Islands constitute a very small piece of the globe. Mr. Paturel said even his local clients show little interest in the

market. "If you're looking for a steady investment that isn't going to crash, these will hold up well," he said, but "in a global portfolio, one needs to use companies not limited in exposure to a given market. If you want a pharmaceutical company, don't look for one in each country buy an international one. With these Channel Islands companies, you can't do that."

--- CONRAD DE AENLLE

FOR INFORMATION about publicity traded companies based in the Channel Islands, call Peter Paturol at the Jersey brokenge Cate Allen, Jersey, 44 1534 828 010, or Shane Le Prevost at the Guernsoy brokerage Collina Sewart CD. Ltd., 44 1481 726 511. Mr. Le Prevost can also provide information about the pending opening of the Chennel Islands Stock Exchange.

# In Dublin, a Celtic Cub Earns Its Stripes and Grows Into a Full-Fledged Tiger

By Aline Sullivan

HE CRAIC, or good time, in Ireland is going strong. Investors worried that the country's five-year boom would hit the buffers, if only because its economy is so small, have so far been proved wrong. Instead,

the Celtic tiger cub is growing up.

That is partly because the Irish people are growing up—literally. A wave of baby boomers aged 15 to 24 means that by 2006 the labor force will be almost 30 percent larger than it is today, according to Dermot O'Brien, an economist at NCB Stockbrokers in Dublin. Married women are also entering the work force in droves, as are many recent immigrants.

That would have been bad news a decade ago, when Ireland's unemployment rate was near 20 percent, more than twice current levels, and school children were prepared for emigration. Today, it is perceived by many professional investors to mean that the country's surging economic growth is sustainable.

We should have at least 6 percent growth in the middle of the next decade," Mr. O'Brien predicted. That's not quite the average 8.4 percent recorded each year since 1994 but it is enough to keep Ireland's economy the fastestgrowing in western Europe.

Michael Crowley, an economist at Davy Stockbrokers in Dublin, seconded that view. "We expect a very modest slowdown in 1999, to about 7 percent annual growth. But that

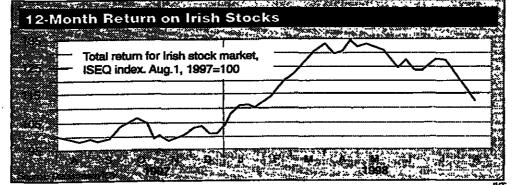
shouldn't have much impact on the equity market because Ireland is still growing so fast."

Of course, prosperity is not built on population alone. Multinational companies setting up in Ireland to take advantage of its favorable tax regime and educated, Englishspeaking work force, have accounted for about half the country's annual economic growth. Industry analysts reckon that there is safety in the multinationals' presence and in their sectors: many are in the rapidly expanding computing, chemical and electrical engineering fields.

UBLIN'S THRIVING offshore financial-management center has also been a boon, manks to significant grants and tax concession from the European Union. The irony is that Ireland is now one of the very few EU members in good shape for monetary union next

Longer term, the outlook is almost as rosy. In contrast to the rest of the European Union, where most countries are facing pension-funding crises as their populations age, the proportion of re-tirees in ireland will remain relatively low until 2011 and increase only slowly thereafter. The median age of the population, now about 30 years, will not reach the current European level of about 40 for two decades.

At the same time, families are having fewer children than in the past. By 2006 the numbers aged over 20 in the population are forecast to rise



by 500,000 and those under 20 to decline by 100,000.

"Falling dependency is boosting wealth, increasing the size of the domestic market and supporting strong growth in demand and employment in the services sector," Mr. O'Brien

RARE SOUR NOTE was sounded last week by the independent Economic and Social Research Institute, which warned that Ireland needs to rein in wage increases to keep its economy on a steady course of sustainable growth and low inflation.

"The principal danger to our relatively benign projection of economic prospects over the next 18 months and beyond is that the disciplined

approach to pay determination might break down," said the institute in its quarterly review. "A renewed commitment to the partnership strategy, which has proved so successful over the past decade, is becoming a matter of great ur-

The institute said it was raising its forecast for annual inflation this year to 2.8 percent from 2.7 percent in 1997, with the rate picking up to about 3 percent late in 1998. It forecast that growth in gross domestic product, adjusted for inflation, would slow slightly, to about 7.75 percent in 1998, with a further fall to 6.5 percent in 1999.

But export growth in goods and services will soar 20.75 percent in value, compared with an earlier prediction of 12.75 percent, thanks to a lower-than-expected impact from the Asia crisis

on the value of Ireland's electronics exports and a surge in chemical exports due to production of the active element of the anti-impotence drug Viagra, which is made at the Irish unit of Pfizer Inc. in County Cork.

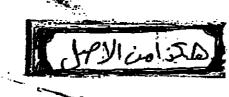
Perhaps most importantly, employment will rise by 4 percent in 1998 and 3 percent the following year, compared with a 5 percent rise in 1997, the institute predicted.

Buying in to the Irish boom is straightforward. Consumer spending on cars, entertainment and leisure are rising rapidly, as is demand for new housing and such associated products as household durables and financial services. At the top of many analysts' lists in these sectors are Elan Corp., Kerry Corp., Independent Newspapers PLC and Galen PLC, a pharmaceuticals maker.

EALTH INSURANCE and pension products in particular are expected to be sought after as the median age of the population rises. John Conroy, an analyst at NCB, is advising clients to buy shares in Irish Life as the best demographic play in the financial sector. He is also bullish about most of the Irish banks, including Allied Irish Banks PLC and Bank of Ireland.

"Banks will also be beneficiaries of the very positive demographic story in Ireland which will underpin general growth in loan demand," said Mr. Conroy. "Valuations of the Irish banks are still broadly in line with European banks, despite

Continued on Page 17



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# THE MONEY REPORT

# What a Difference 18,263 Days Make: Investing With a 50-Year View

story, as Damon Runyon once

wrote, "goes with it."
In 1956, the Ford family took 20 percent of its auto company public, raising \$641 million in what model airplanes, comic books was then the largest stock issue of all time. My was then the largest stock issue of all time. My grandfather, who had been a broker, bought a single share for what I vaguely remember to be about \$30 and gave it to me for my minth birthday.

Ford Motor Co. had its ups and downs over the

next 42 years, but the stock split and split again and again. At the start of this year, I owned 16 shares of Ford and was getting a yearly dividend of \$26.88—an annual return of 90 percent on my grandfather's Original investment

Ford found odd-lotters like me expensive to maintain, so the company offered to buy us out at the market price plus a tiny fee. Tired of having to deposit \$6 checks every three months and of having to report miniature dividends on my tax return, I accepted.

So, in a typical American stock market tale, \$30 grew to \$827.84. I told this story the other

BRIGHT yellow check for \$827.84 summer program sponsored the H Street Com-arrived for me last week from First munity Development Corp. in Northeast Wash-over a long, long period. Chicago Trust Co. of New York "A ington, and the kids were duly impressed.

over the years, rather than using them to buy to pick companies with bright prospects.

nately, I do not have records going back to 1956 on Ford,

but I do have data on large-company stocks from Ibbotson Associates in Chicago. Between Jan. 1, 1956, and June 30, 1998, the average large-cap increased in price by a factor of 25. That is roughly the same rate of capital appreciation that my Ford stock registered.

and certainly not market timing - trying to guess the short-term direction of stocks. The trick (if day to a group of teenagers at an inner-city you can call it that) is to buy a piece of a great would be worth \$4,861,304 today.

But buying a single stock is a taking a big risk. But they would have been bowled over if I had Long-term investors need diversification; at least been smart enough to reinvest my dividends eight stocks in different industries. You have to try

would I have had? Unfortu- JAMES K. GLASSMAN ON INVESTING

In 1935, a group of investors assembled just such a portfolio, 30 stocks that they believed would thrive into the next century. The idea was to form a mutual fund and hold onto all the stocks, unless the companies were merged out of

But, by using dividends to buy new shares, investors would have seen their stakes rise by a factor of 98. In other words, my original \$30 going back to 1941. Assume that, back then, you put up \$10,000. The load (or commission) at the The lesson here is that the most important time was a hefty 12 percent, so only \$8,799 of factor in investing is time. It is not stock-picking your money was actually invested. If you reinvested all dividends and capital gains auto-matically in new shares that original \$10,000

The Wall Streeters who started the fund were excellent list, with nine foreign. You would not not particularly prescient. They made mediocre go far wrong buying all 40 stocks, though choices at best, including four railroads, two of which failed, and only three consumer firms. Still, their portfolio — which includes General

Electric Co., Procter & Gamble Co., Sears pharmaceutical companies. Roebuck & Co., AT&T Corp. and other stalwarts - has done well, trailing the Standard & Poor's 500-Stock Index. a proxy for the full market, by

only 1 percentage point over its lifetime. Corporate Leaders has also finished in the top 25 percent of funds over the past 10 and 15 years, according to Morningstar Inc., proving again that time is the key to market success.

Lately, Corporate Leaders has suffered, in

large part because of the decline of its energy stocks. The fund has returned only 5 percent over the past year. But depressed stocks like Mobil Corp. may actually make it attractive. If you were building a portfolio for the next half-century, it might look like the Wired Index, a group of 40 bellwether stocks for the new economy, assembled by the editors of Wired

magazine, the hip high-tech monthly. It is an

connspicuous by their absence are banks, consumer products companies and restaurant chains and in short supply are retailers, airlines and

An interesting game would be to construct your own portfolio of, say, 20 stocks for the next 50 years, using the Wired list as a starting point. Mine would comprise 11 stocks from the Wired Index: America Online Inc., FDX Corp.,

Microsoft Corp., Schlumberger Ltd., Wal-Mar Inc., Lucent Technologies Inc., AMR Corp., Marriott International Inc., Sony Corp., Monsanto Inc. and Walt Disney Co. Then, I'd add General Electric, Ford, Merck & Co., Amazon.com, Inc. Starbucks Corp., Gillette Co., Citicorp, American Express Co. and Merrill Lynch & Co.

Try the game yourself. If you actually buy the stocks, remember to hold them for a half-century.

For further information:

THE WIRED INDEX is viewable on the inter LEXINGTON CORPORATE LEADERS, Telephone | 201 845 7300, or.

# How Are 4 New Tigers Doing? 3 Are Limping

NE YEAR AGO this week. the Money Report scoured the world for four new economic tigers, countries that could replicate the boom previously seen in Asia and where investors could look for above-average returns over a 10-year

With nine years to go, one of our picks, Ireland, has so far been a roaring success. Another, Chile, has been battered by low commodity prices and its significant export exposure to an increasingly wobbly Japan. But its economy remains reasonably sound, the most stable in Latin America.

The remaining two? Well, Pakistan and Zimbabwe have seen better days. : Until October, Pakistan's future looked bright enough. Then, swept up in the worldwide market upheaval late that mouth, stocks began to decline, a process hastened in May, when the country responded to India's nuclear tests with explosions of its own. Subsequent sanctions liave eroded its foreign-currency reserves and called into question the country's ability to pay its \$4 billion debt.

Since then, few rollercoasters have offered anything like the thrill of the Karachi Stock Exchange. In recent weeks particularly surges and plunges have followed each other in rapid succession as investors weighed the corded in the last decade.

chances of Pakistan receiving enough aid, say \$1.5 billion, from the Islamic Development Bank to meet its debt payments. Some analysts point out, however, that aid will not improve the

country's troubled relations with India. In Zimbabwe, inflation and interest rates, at 30 and 40 percent respectively, are a five-year highs and still rising. The currency has almost collapsed and local investors are abandoning equities for

better yields on the money market. Worse still, land reform is still unresolved. Not knowing whether white farmers will be able to hold on to their property or will be forced to hand it over to the government for redistribution has, not surprisingly, sapped investor confidence. On all fronts, Zimbabwe seems mired in the deepest shump in 18 years of independence.

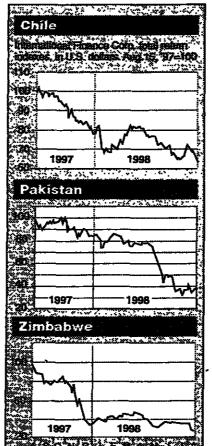
But Zimbabwe's economy remains the most diversified in southern Africa after that of South Africa. Growth has declined sharply but is still well ahead of most of the region and its own recent past: the government projects a rise of 3.0 percent this year, compared with 3.7 percent in 1997 and 8.1 percent the year before. Hardly the 6 percent growth we expected from economic tigers but still a significant improvement on the average annual growth of 1.8 percent re-

Local bankers point out that Zimbabwe has educated people, rich resources and an appetite for prosperity. It is also the region's most populous and prosperous country apart from South

Six months ago, these new tigers had their small sizes and high rates of growth in common, if little else. Today, they share even less. Ireland has boomed and can hardly be considered a tiger anymore, certainly not a cub. Chile and Zimbabwe could be considered ailing cubs and Pakistan seems to have lost

"It's going to be a rough 12 months in most emerging markets," said Geoffrey Dennis, emerging-markets equity strategist at Deutsche Morgan Grenfell in London. "Some investors think of Chile as a safe haven, but 60 percent of its exports are commodities and 30 percent of those go to Asia. If the situations in Japan deteriorates, Chile will have

"But I would sure rather own shares in Chile than in Zimbabwe and I would even rather own shares in Zimbabwe than in Pakistan," he said. "Zimbabwe has a very poor investment environment right now but it still has potential. Pakistan has some of the worst economic fundamentals in the world." - ALINE SULLIVAN



# The Celtic Cub Grows Up

### Continued from Page 15

better top-line growth prospects and the added attraction of a bottom-line kicker from reductions in corporate taxation rates." Indeed, valuations look even better this week. Irish stocks are greatly influenced by events in Britain, its largest trading partner, where shares took a beating after the Bank of England raised its key interest rate by 25 basis

Shares in some Irish companies, notably Jefferson Smurfit Group PLC, slid armid continuing fears that recession in Asia would erode global demand for the company's paper products. For similar reasons, CRH PLC, a building-materials company, was has slumped more than 30 percent from the record high close of

1,125 pence it posted March 25.
Allied Irish Banks has been affected by concerns that its two U.S. units, First Maryland Bancorp and Dauphin De-posit Corp., will be hurt by the Asia crisis. These subsidiaries accounted for 123.4 million punts (\$174.3 million) of the 259.8 million punts Allied Irish Banks reported in first-half net in-

But Tom Mulcahy, the chief exec-utive officer, said the bank was not greatly exposed to Asian economies or to a slowing British economy. Bank executives also emphasized that they

saw much more organic potential among its existing Irish customer base. Allied Irish, which has been a popular holding of the closed-end Irish Invest-ment Fund, which trades on the New York Stock Exchange. As of its most recent U.S. government filing in April, the fund held 1.8 million Allied Irish shares, accounting for nearly a fifth of its portfolio, similar to the bank's

weighting in the Irish Overall Index. Morningstar Inc. gives this fund its highest rating, five stars. For the past 12 months, the fund has returned about 18 percent to investors, though that is far less than the 31 percent gain in Dublin's Overall Index, the difference being in part a reflection of the dollar's

In Dublin and London, investors can opt for the First Ireland Investment Trust, which has returned nearly 23 percent over the past 12 months. Several open-ended funds concentrating on Ireland also are available.

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### BRIEFCASE

### Taking Refuge In High Yields

research firm Independent corresponding period. While lives in emerging economies. Economic Analysis (Hold-Latin America led the way (IHT) Economic Analysis (Hold-ings) Pte. suggests investors thay want to take refuge in billion, the big news was the Treasury Bonds shares that offer relatively surge in activity in Asia, Direct From D.C

high dividend payments.

All high yields, however, are not created equal. The research firm pointed out that high dividends in places like Hong Kong, where the average yield is 5.9 percent, the real estate and finance-dommated market may be expecting reductions in payouts, so that the current high yields are

"illusory" Eschewing most Asian and Vices industry topped the list South American markets, the of most deals and highest valmay be safer in markets which have been tarred by the same brush as emerginal transactions valued at \$2.95 same brush as emerging mar-

kets, perhaps unfairly. The firm listed Australia, where stocks yield about 3.4 percent, New Zealand, which situation that has now eased offers 4.8 percent, and indus-sial issues in South Africa,

retiming 3.2 percent. Looking at bond yields in South Africa, however, the firm noted bond yields in excess of 16 percent, indicating investor fears of an impend ing devaluation of the rand. Yet 10-year government bond yields in Australia are just 5.6 percent and New Zealand's are 6.2 percent, not

much higher.
In the United States, by contrast, 10-year government bonds are returning about 5.4 percent, yet stocks in the Dow Jones industrial average yield ist 1.7 percent. The two Andipodean markets thus compare favorably to Wall Street.
Applying the same measures in Europe, the firm found the relatively high yields on British and French stocks, 2.5 percent and 2.3 percent, respectively, compare favorably with their bond yields. French bonds were returning a modest 4.6 percent, while British bonds yield 5.6 percent

### M&A Bargains Spur Asia Deals

It has been a dismal year most investors in emergmarkets, yet takeover activity is booming, especially in Asia, where companies from developed countries have gone on a shopping spree, hired by bargain prices and new opportunities.

A report from Robert Flemwith 46 deals valued at \$16 where the region's financial crisis did not preclude 45

deals valued at \$11 billion, up from \$6 billion a year earlier. The most popular destinations in Asia were Korea and Thailand, where purchases took off following the reforms imposed by International Monetary Fund bailouts.

In another significant change, Asia's financial sertivity in these two sectors, once the most closely restricted to foreign investment, a

why we see a great number of deals going into companies in general," said Kathy Riley, the Flemings analyst who wrote the report.

ing & Co. in London found may be shanning these mar- quirements for Treasury bills merger-and-acquisition activ- kets now, but in the long term, and short-term notes have With a tough outlook for ity in emerging markets corporate investors cannot afbeen lowered to \$1,000. In the spocks in light of the deflatotaled \$34 billion in the first ford to ignore them," Ms. Ripast, minimums for Treasury tionary pressures swirling half of this year, keeping pace ley said, noting that 80 per-bills were \$10,000, and notes through world markets, the with last year's record for the cent of the world's population with maturities of four years

### **Direct From D.C.**

On Sept. 16, the Treasury's Bureau of Public Debt plans to lannch a web site that will allows investors with bank accounts in the United States to buy bills, notes and bonds directly from the government at their original issue price.

Investors have been able to checks. Instead, they will authorize the bureau to debit Purchasers in other coun-

sharply.
"That's certainly a reason

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# **Investors Flee**

buy Treasuries from Federal With the 10-year govern-Reserve banks for some time, ment bond ending the sixbut the Internet site will allow month period with a paltry them to do so without writing yield of 1.62 percent, Japatheir checking or savings ac-counts. They also will also be six months, reversing net selling of 3.5393 trillion yen

advantage of the new pro-gram, said Dale Vanderhey-yen in the last half of 1997. den, a spokeswoman for the

In another move to promote participation by individuals,

> \*North Star was ranked No.1 Offshore Fund Manager of 1997 for 3

years performance by

the two FT publications

Resident Abroad out of 104 international Fund Managers. North Star

was also voted No.1 for

1995 and No.2 for 1996

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# **Low Tokyo Rates**

Investors foreign and domestic registered disdain for the low yields available on Japanese bonds and a slumping yen in the first half of the year, Finance Ministry data

showed this week. With the 10-year governnese investors bought a net 2.2505 trillion yen (\$15.5 bil-

Foreign investors, meantries will need a bank account while, sold a net 66.5 billion in the United States to take yen in Japanese bonds, after



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# WORLD ROUNDUP

# **Italian Soccer Stars** Without Driver, The Long Hitter

# **Quizzed by Prosecutors**

DRUGS Alessandro Del Piero, Dino Baggio and Enrico Chiesa, three Italian World Cup players, were questioned Friday by pros-

ecutors investigating possible use of performance-enhancing drugs. Del Piero, who plays for Ju-ventus, was heard by prosecutor Raffaele Guariniello in Turin. Chiesa and Dino Baggio, of Parma, were questioned by prosecutor Giovanni Spinosa in Bologna. The three were summoned as "people acquainted with the facts.

Three investigations have started since Roma coach Zdenek Zeman denounced the use of medicine in Italian soccer.

• The International Olympic Committee plans to ask drug manafacturers to attend a meeting in Lausanne on drugs in sport, Kevin Gosper, a member of the executive

board, said Friday. (AP)
• Gary Hall, a U.S. swimmer who won four medals at the 1996 Olympics, has been reinstated after a provisional suspension for a positive marijuana test. FINA, the sport's governing body, did not say f suspension had been canceled or if Hall was merely being allowed to race pending a hearing.

### Tyson Redirects Appeal

BOXING Mike Tyson's advisers abruptly withdrew his application for a New Jersey boxing license Thursday, deciding instead to reapply in Nevada, the state that revoked it last year. The New Jersey Athletic Control Board was due to rule Friday.

### Union Changes Focus

BASKETBALL In a sudden shift in strategy, the National Basketball Players Association Thursday withdrew its unfair labor complaint with the U.S. National Labor Relations Board

The move came hours before the board's regional director was to issue his recommendation on the union's contention that owners imposed a lockout illegally.

The union said it wanted to focus on an arbitration hearing, which

BASEBALL

# Tiger Woods Reduces Power as He Aims for Glory

# Avoids Trees

By Clifton Brown New York Times Service

REDMOND, Washington --- He never used his powerful driver and his ball striking was not up to par, yet Tiger Woods ended up in first place after the first round of the PGA Championship. Shooting a 4-under-par 66, and set-ting a course record while smartly wind-

ing his way between the monstrous trees

### PGA CHAMPIONSHIP

at Sahalee Country Club, Woods held a two-stroke lead over a large group.

Woods's red-hot putter turned what could have been an average round into a superb one Thursday. Woods made five putts of 15 feet (4.5 meters) or longer the most confident he has looked with his putter in a major tournament since the 1997 Masters, when he rolled to a record 12-stroke victory.

And by electing to keep his driver in the bag and relying primarily on his 2-iron and 3-wood for tee shots, Woods both avoided the danger of Sahalee's trees and gave an early indication that he feels confident enough to win.

"I think my length is definitely a

huge advantage on this course," said Woods, whose 66 broke the previous course record of 67 by Jack Nicklaus during an exhibition in 1984. "I'm able to hit 2-irons and 3-woods where guys are having to hit driver. I'm able to carry the ball out there and land it softer."

While Woods held the lead, the tightly bunched leader board held intriguing possibilities for the weekend. The tie for second place included Paul Azinger, the 1993 PGA champion; Craig Stadler, the 1982 Masters champion; and Glen Day, Bob Estes, Bill Glasson, Frank Lickliter and Shigeki

Mark O'Meara, trying to become the first man since Ben Hogan in 1953 to win three majors in the same year, shot a solid 69, leaving him just three strokes off the lead. O'Meara, who was 2 over par through six holes, showed his resiliency by shooting 3 under par over the



SPORTS

Tiger Woods saluting after making a 35-foot putt for birdie on No. 17 in the first round of the PGA Championship.

O'Meara, who came from behind to win both the Masters and the British Open. "I think it's exciting. I have nothing

But to win. O'Meara will have to catch Woods. Woods has been using O'Meara's backup putter — or as Woods put it, "The one I stole" — for the past month.

Woods set the tone for the day by making an 18-footer on No. 3 to save par, but he was just getting started. He made a 15-footer for birdie at No. 5, an 18-footer for birdie at No.7, an 18footer for hirdie at No. 13 and a brilliant 35-foot downhill putt for birdie on No. 17. And for the first time this year.

when every put 10000 cm, the cup seems just a little bigger.

said. "Anyone who plays this game knows putting comes in cycles. You have to ride it when you have highs and try to get over slumps as quick as pos-

As for slumps, Woods has found himself defending his performance this year, despite nine top-10 finishes, a victory in the Bell South Classic, a victory in the Johnnie Walker Classic in Thailand and a third-place finish in the Brit-

For most players, that would be an "I kept myself in the ball game," said he has the feeling golfers dream about, mits he would love to have more vic- first place.

tories this year, his patient performance Thursday was another example of the progress he has made since last year, when he tied for 19th at the PGA Cham-

While most players found the back nine tougher than the front, Woods shot 34 on the front and 32 on the back. Meanwhile, others who threatened to end the day with at least a share of the lead had difficulty on the final holes.

Glen Day reached the 15th green at 5 under par with a one-stroke lead over Woods, who was already in the clubhouse. But Day made his first blunder of the day, three putting from 6 feet for a 

# Singh Starts PGA 2d Round With 5 Birdies

REDMOND, Washington — Tiger Woods was still on the practice green Friday when his lead evaporated in the PGA Championship.
Vijay Singh made five birdies on the front side to shoot a 30 and take tem-

porary possession of the lead under ideal conditions at Sahalee Country Club. Woods, who shot a 66 on Thursday,

was still an hour away from teeing off in the second round when Singh made a birdie putt on the ninth hole to move to 5 under for the tournament, a stroke ahead

Another stroke back was Steve Elk-ington, the 1995 champion who started the day 1 under and was at even par when he birdied three holes in a row beginning at the par-5 11th to move into

contention.

Fred Funk birdied three of his first six. holes to move to 3 under par but then slipped back to 2 under.

### ■ Burton Holds Lead in Open

Brandie Burton, winner of the Du Maurier Classic two weeks ago, carded a 2-over 74 but moved into the halfway lead in the windswept Women's British Open on Friday, The Associated Press reported from Lytham St. Annes, Eng-land.

Burton goes into the third round, on Saturday, at 1-over on 145 with a 1stroke lead over a fellow American,

Leslie Spalding.

A bogey at eight and double bogey at nine briefly cost Burton the outright lead. But she birdied the par-5 11th to regain a l-stroke advantage Spalding, who only gained the draw

an alternate, made a 2-under 70 for 146 and second place. One of her four birdies included a 60-foot putt.

Wendy Ward carded a 71 for a 3under halfway total of 147. She is tied with Janice Moodie of Scotland and Suzanne Strudwick of England, who both made level par 72s.

Se Ri Pak winner of two majors in this her rookie season on the U.S. Tour, was seven off the lead after a second round 74-Beary King, the co-leader overnight, 77 and slipped to three off the lead.

### SCOREBOARD

# Cieveland 291 180 600 000—4 6 1 Li Instituto Ponson, D., Johns (4), Orosco (2), Mills (9), Kay (10), P., Smith (11), A. Benitez (1/2) and Webster Gooden, D., Jones (6), Assemmocher (8), Showy (6), M. Jockson (11), S. Reed (1/2) and S. Alomaz W.—P. Smith, 2-3. L.—S. Reed, 1-1. Sw—A. Benitez (1/2), 1429—8attimare, By\_Anderson (1-0, R. Potmeiro (37), Tompa Bey 901 002 100 0—4 12 9 Kansas City 120 301 000 2—6 11 1 (10 Innings);Rekar, Aldred (7), Mack (7), R. Hermandez (9) and Diffeliors Ropp, Bones (7), Whitsmant (8), J. Montgomery (10) and Fosona, M.L. Swentey (8), W—J., Montgomery, 2-4. L.—R. Hermandez, 2-S. HRS—Tompa Bay, B. Smith (7), Korsus City, Polimer (26), Dye (3), NATIONAL LEAGUE .752 .593 .525 .508 .390 .555 .450 .449 .437 .390 538 533 458 442 Attenta 102 800 280—5 18 0 San Diegs 000 800 000—6 2 1 Glavine and J. Lopetz Langston. S. Sonders (7). Boehringer (8) and C. Hernandez. W.— Glavine 16-4. L.—Langston. 4-5. HRS— Attents. Ger. Williams (5), Ch. Jones (29). Phisburgh 000 124 200—9 11 3 Clacianati 580 000 100—6 7 0 Van Poppel. Tobaka (1). McCurry (5), Dessens (6), Christianaen (7), Ritona (9) and Kendali Hamisch, Sulfivan (6), G. White (7), Graves (9) and Toubensee. W.—McCurry, 11. L.—Hamisch, Sulfivan (6), G. White (7), Graves (9) and Toubensee. W.—McCurry, 11. L.—Hamisch, Sulfivan (2), K. Young (25). Cincianati, B. Larkin (12). Milwaukee 911 800 800—2 5 1 Hoestva 100 200 020—6 7 9 Woodard, Weafflers (9) and McRiseny, Hughes (8); Lina. B. Wagner (9) and Ausmus. W.—Lina, 11-6. L.—Woodard, 9-7. Pioride 601 801 808—2 6 8 .620 .545 .479 .479 .455 .438 St. Louis Pitaburgh Cincinnati WEST DAYBOOM 78 43 .645 61 60 .504 54 65 .463 45 75 .375 907 980 909—2 2 1 107 980 909—2 2 1 1. Rodrigues: O.Hermandez, M. Possda. W.—O. Hermandez, B. 15-7, St.—M. Rivera (31). 100 980 290—3 9 0 200 960 022—4 8 6 Hands (8) Horsenan (8). **JAPANIESE LEAGUES** Ternele 293 460 CD:-4 8 6 C.Finley, P. Honts (8), Hosegowa (8), Codurat (8), Feithers (8)- and Weitheck; W.Williams, Sinclair (7), Resiey (3), Quantitie (9), Plessor (9) and Dulescondro, W.—Risley, 1-4. L.—Hosegowa. 6-3. SV—Plessor (1). HR—Teronte, S. Green (22), Manacsafer G. Green (22), Manacsafer 109 330 19:-8 14 1 Rodins, T. Miller (5), Carrasco (7), Geordodo (8), Agoilena (8) and Steinboch: P.Martinez, Swindell (7), Echersley (7), Schourek (8), Cond (8), Gordon (9) and

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Ben Crenshaw
Ion Woosnam, Brit.
Brad Faxon
Nick Price, Zim.
Mark Calatvecchia Justin Loonard
Ted Tryba
Davis Love 3d
Dudley Hart
John Haston
Les Rinker
Scott Singson
Edoardo Romero, Arg.
C. Mondyomerie, Brit.
Phil Mickelson
David Frast, S. Afr.
Vijay Singh, Fig.
Pool Goydos
Jesper Pamevik, Swe.
Jay Oon Blake
Jan Schamatin Jeff Slumon P.H. Horgan 3d Corey Pavin Robert Allenby, Aus. Robert Alienby, Aus.
Brandt John
Robert Karlsson, Swe.
Jony Sindelar
Scott Verplanik
Len Medikoce
Grey Kraft
Eddle Teresa
Peter Lonard, Aus.
David Toms
Mark Brooks
Tom Watson
I may Roberts

Bob Ford Stephen Leoney, Aus. Hai Sutton Paul Stankowski Brian Walts Ernie Els. S. Afr. Scott Hach Tom Byrum Skip Kendell Joe Ozaki, Jap. Brent Gelberger Mick Folida, Brit. Chris Perry Stewart Chrik, Reflet Goosen, S. Afr. Clork Denmis Kirk Triplett Stephen Keppler Robert Thompson Dan Forsman Kevin Soth Michael Burke Ir.
Nead Lancaster
Mark Wiebe
Jeny Kelly
Greg Chalmers
Larry Mize
Steve Flesch
Thomas Blann, Den.
Joe Durart
Jose M. Olarabal, Sp.
Frank Nobita, N. Zeai.
Payme Stevent
David Daval
Leo Janzen
G. Hjertstedt, Swe.
Steve Lawery
Wayne Grady, Aus.
Rocca Medighe
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Ken Schall
Bruce Zabriski
Grunt Wolte, N. Zeal.
Phil Blackmar
Tommy Tolles
Karl Klimball
John Doly
Al Gelberger
Will Emoto SOCCER **CUP WINNERS CUP** her, Lux., 2. Roold Buchwest, 6 gor City, Woles, O. Hoteo, Finland, 2 storan, N. Inl., O. Maccabi Holle, Isra Perfizer, Yug. 2 Dynamo Balumi. Georgic Vaduz. Liechi. 0, Helsingborgs. Swe. 2 Amica Wronki, Pol. 4, Hibernians, Matta, Arrico Wronki, Pol. 4. Hibernians, Maths, 0 Gotu, Forve Islands. 1, MTK, Hungary, 3 Lussanne, Switz. 5, Arard, Armenks, 1 Vardar, Mac., 0, Spartak Trnova, Slavakia, 1 FC Copenhagen, Den., 4, Kambagh, Azer., 0 Cork City 2, CSKA Kiev, Ukanine, 1 Apoloria Fier, Albania, 1, Genik, Belgium, 5 Levski, Bulgaria, 8, Vitebsk, Belarus, 1 Lantana Tallinn, Estania, 9, Hearls, Scot., 1 Vitebia, Skasson 3, Copenhartan & Madeum

Velenie, Slovenia, 2, Cons Los Angeles 3, Konsta City 0
STARDINGS: Eastern Conference: x-D.C. 48 points; NY-NJ 35: Columbus 30; Tompo nal 20: New England 19. Western Conference: Les Angeles 55 points Chicago 37: Colorado 29: Konsas Cily 26: Del x-clinched algyoff berth

TENNIS Y DI MAJINIATTAN BEACH, CALIF

FREDAY IN SAM MARINO

FREDAY IN MASON, OHIO - QUARTERFULALE Kaleinikov (7), Russia, del.

# TRANSITIONS

VILLE-Signed DE Ferngado S

NATIONAL HOCKET LEAGUE

N.Y. PANGERS Agreed to famins with E.W

Brent Fodyk.

OTTAWA Re-eigned LW Shown McEachern to 2-year contract.

PHOERD-AMBOUCE O MUNICIPALITY
illiction with Springfield, A.H., and Mississippl, ECHL. Signed L.W. Barry Nijector.
PITTSBURM-Signed RW Role Rown, D.
Victor Ignafier and L.W. Sorn O'Balan.

### THE WEEK AHEAD SATURDAY, AUG. 15

ACTIVALISTICIS, Cologos, Germany—Grand Art (Class I).

GOLF, Redword, Washington — PGA.
Chempionship, No. Aug. 16, Lyffixen St. Annes,
England — Worsen's British Open. to Aug.
16, Karubanini, Japan — women, NEC Open.

Tri-Neglions series, S. Africa vs. New Zeatand.
Suerpos Alves Argentina — Warid Cop., qualdifficia, Americas zone, 4th round, Argentina,
united States. Comota. Uruguay, to Aug. 22.,
spocassa, Bertin — starf of German
Sanjoustiga seasons London — starf of Engsist Premier. League seasons Calve, Egypt —
African Cup of Nations, qualifyliag. 1st mond,
vitarz lac. Da Aug. 16. 

en, 10 Aug. Tér Cincin est American Tesuronc rance Char Ang. 1& Los Appeles — women, Acuro Cla to Aug. 16: Baston, Masse men, BastonCap, to Aug. 16. SUMDAY, AUG. 16

HCKKET, London — trlangular filmo-England vs. Sri Lanka.

Cup. HEW-Cyclossic Cup.
SECTOR RACESICA, Budgest, Hungary—
Formula Con, Hungarian Grand Prix.
SOCOST, Washington — SOCOST, CON-MONDAY, Aug. 17

nesa, İndianapolis, Indiana — zien hampionships, to Aug. 23; New Haven Connecticut — men, Stict Pen Inter

TUESDAY, Aue. 18 achilletics, Bodopest, Hungary — European Athletics Championships; in Asg. 23; Dokos, Sanagai — Athletics

23r, Dottor: Sensger — America America Chemphomhips, to Aug. 23, GRECKET, Birminghow, England — td-engelar furbement. — England vs. S. Africa. SOCOER, Manchester, England — Ma-nich Testimonial, Manchester United vs. ip-WEDNESDAY, Aug. 19

account, friendly internationals: North-em Ireland vs. Maila: Austria vs. France. Walles, Hawali — U.S. Soccer Federation Annual General Meeting (election of pres-Nips, to Apg. 22.

THURSDAY, Aug. 20 conscient, London — triangular form ment, final (England, Sri Lunka, S. Africa), GLYMPECO, Lausanne, Switzerland IOC executive board meeting on doping. European Open, to Aug. 23; Castle Rock, Colorado — mex. Sprint International, to Aug., 23; Maple Grove, Minnesota — women, Ed./ ina Reuity Classic, to Aug. 23.

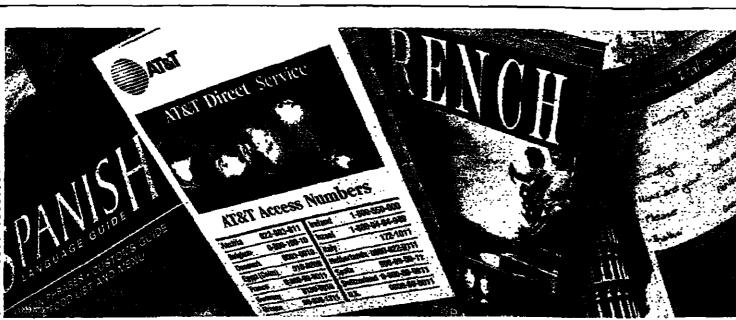
FRIDAY, Aug. 21 GOLF, Alshima Japan — women, Caleri Blar-Missibishi Ladee, in Aug. 22. MOTOR RACUSO, Finland Rafty, to Aug.

SATURDAY, AUG. 22 Rucky useross, Johannesburg, S. Africa Tri-Nations series, S. Africa vs. Australia. orveya, Anchen, Germany — Alla Grand

Pitts Super Final, to Aug. 23. SUNDAY, AUG. 23 GYCLING, Zurich, Switzerland — Work Cup. Swiss Grand Priz. - Czech Grand Prix.

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### **SPORTS**

# A Young Owner on the Fast Track

# Pollock Engineers the Deals at the Tyrrell Formula One Team

By Brad Spurgeon International Herald Tribune

PARIS — Craig Pollock is a per-suasive man. That is why, at 42, he is the youngest Formula One team

the world's largest tobacco companies and another partner to join him in buy-ing the team of the oldest and longest-lasting team owner, Ken Tyrrell, 73.

As the Formula One season heads for its 12th race Sunday at the Hungarian Grand Prix, the Tyrrell team has yet to score a point. No one involved seems worried. The team is just treading water as it marks the end of one era and the

beginning of another. In conversation, Pollock, a healthful Scottish former physical education teacher, fixes his interviewer with his pale blue eyes while explaining how he moved from teaching in a Swiss private school to owning a Formula One team.

Pollock left teaching and began a promising business career at a Swissbased company selling motor sport rights. But the story of British American Racing, as the team will be called next 'year, really started in 1991 after Pollock ran into a former pupil at the Japanese Grand Prix. The pupil was the equally persuasive Jacques Villeneuve, who decided at once that Pollock was the man to manage his mediocre racing career.

But when in 1992 he finally agreed, he moved Villeneave out of Burope, where he had been racing in lower formulas, and eventually to North America. There, rather than selling his driver to a team, he created a team around his Last November, he convinced one of driver. To pay for this Indy racing project he obtained sponsorship from Imperial Tobacco, a Canadian cigarette manufacturer owned by British Amer-

ican Tobacco, based in London. The team succeeded. Villeneuve won the Indianapolis 500 and the 1995 IndyCar drivers' title. This caught the attention of Formula One's top team, Williams. Villeneuve joined in 1996, leaving his Canadian tobacco company behind. Last year he won the Formula One drivers' title. But this year he is

only sixth, with 16 points. When Villeneuve announced three weeks ago that he will drive for the BAR team in 1999, few insiders were surprised. The players are the same. Tom Moser, the IndyCar team's man at Imperial Tobacco, has become head of sponsorship at the parent organization, British American Tobacco. He has agreed to fund the project. The chassis will be built by Andrew Reynard, who built the Indy Car chassis. He is the other partner in the team. But if the players are the same, Pollock's role is different.

"I was so busy looking after Jacques that I forgot about trying to keep an equity position in the team," he said.
"That is why, in creating a Formula One team, I am now a team owner."

Reynard has won every series his cars have entered. But in Formula One the car design rules change yearly. Cars must be made by the team itself, rather than being bought "off-the-shelf" from a supplier, as in IndyCar.

In Formula One, said Pollock, "your chances of coming out of the box and winning are ten times less than they would be in IndyCar."

But he is not starting from scratch. Tyrrell had a staff of 115 employees, and that number will nearly double.

Buying an existing team is the only way for a new owner in Formula One to be guaranteed space on the starting grid and a cut of Formula One's lucrative television and promotional rights.

Ken Tyrrell was not seeking a buyer. He was as keen on racing as he was three decades ago when Jackie Stewart drove Tyrrell's cars to three world titles.

"We were having difficulties finding sufficient funds to do the job properly,
Tyrrell said, "and British American Racing came along with a very generous
offer, so we decided that was the best thing to do."

Formula One had changed since Tyr-rell's first year, 1968, when his total sponsorship was less than £100,000 and he paid Stewart £20,000. Michael Schumacher earns an estimated \$35 million a



Michael Schumacher making a pit stop during a practice session Friday for the Hungarian Grand Prix Sunday.

year with Ferrari and BAT is contributing an estimated \$300 million over

five years to BAR. Tyrrell was to spend a final season on the circuit, but after a disagreement with Pollock over this year's budget, he retired before the season started last March. He had not missed a race in 30

nical director, said change was needed. "The team was struggling because we were undercapitalized," he said.

Money may again leave them behind

years. He said recently that he is not happy in retirement. "I'd rather be doing what I was doing," he said.

Harvey Postlethwaite, Tyrrell's techthroughout Europe next decade.
"It's no bigger problem for our team
than it is for the other top teams," Pollock said, since the top teams all

# El Duque Rules in Bronx

Orlando Hernandez set a New York Yankee rookie record with 13 strikeouts

- Jr

as New York beat Texas, 2-0. The quirky Hernandez (8-3) mixed his pitches and arm angles as he allowed

### AL ROUNDUP

just two hits in 81/2 innings against the American League West leaders Thursday and left to a standing ovation.
"I won 129 games pitching in Cuba,

and have pitched in some very big games, and this one was big," said Hernandez, who is known as "El

"He made a lot of pitches different," said Ivan Rodriguez, the Texas catcher. "He threw over the top, he threw threequarters. He threw from the side. He's got so many releases, it's hard to see."

New York improved to 46-8 at Yankee Stadium. It's on pace to beat the top home record in history, set by the Reds in Cincinnati at 64-17 (.790) in 1975. The Yankees won with just three hits.

Rick Helling (15-7) lost despite pitching a complete game. Helling set down 14 straight batters at one stretch and gave

up only one hit after the first inning. Orioles 7, Indiana 4 Rafael Palmeiro hit a three-run homer in the 12th inning off Steve Reed as Baltimore won at Jacobs Field.

After the game, Cleveland signed Cecil Fielder to help ease the loss of injured first baseman Jim Thome. Fielder cleared waivers earlier in the day after being cut by Anaheim.

Red Sex 8, Twins 7 Nomar Garciaparra homered, singled and hit a goahead double in the seventh inning as

the Red Sox beat Minnesota in Boston. Garciaparra is batting .358 with a .704 slugging percentage in 19 games since the Red Sox moved him into the

cleanup spot. Blue Jays 4, Angels 3 Jose Cruz Jr. hit a two-run single in the eighth inning as host Toronto won its fifth straight game and snapped Anaheim's four-game win-

Royals 6, Devil Raya 4 Dean Palmer his 26th home run.



Orlando Hernandez of the New York Yankees pitching against the Texas Rangers on Thursday.

ended a frustrating stretch with a two-run homer in the 10th inning at Kansas City. Palmer had stranded 14 runners in his previous two games, striking out five times and grounding into two double plays in eight at-bats. But with one out in the 10th inning, Palmer connected for

# Atlanta Regains Edge Over San Diego

SAN DIEGO — Tom Glavine pitched a two-hitter for his second straight shutout, Chipper Jones homered and scored three runs, and Andrew Jones went 3-for-4, as the Atlanta Braves prevented San Diego from sweeping the series between the National League's two top teams.

The series was heavily hyped, but Glavine downplayed its importance. 'I still believe we feel like we've got a great ballclub, and I know they feel like they have a great ballclub," he said.
"I don't think that anything that happened here these last three days

changes that." But Chipper Jones said doing well in a season series might give one team a mental edge over another should they

meet again in the postseason. "I know last year the Marlins beat us like eight out of 12 times," he said. "Mentally, they had it on us. It was a factor come NL Championship Series time." The Marlins won.

The Braves regained a two-game lead

ings with the 5-0 victory Thursday. The sweep in Cincinnati. teams will meet again next Thursday

and Friday at Atlanta. Glavine (16-4) became the NL's second 16-game winner. San Diego's

### NL ROUNDUP

Andy Ashby was the first, outpitching Maddux in the Padres' 5-1 win Wed-

nesday night. Glavine faced just four batters over the minimum and extended his streak of

scoreless innings to 23. The Braves got to Padres starter Mark Langston early. The first five Brave hits were for extra-bases — four doubles and a solo homer by Gerald Williams -

to give Atlanta a 3-0 lead after three. Chipper Jones and Andres Galarraga hit consecutive doubles in the first for a 1-0 lead. Williams homered leading off

Pirates 9, Reds 8 Kevin Young homered, and Lou Collier hit a tiebreaking triple, as Pittsburgh overcame a five-

over the Padres in the overall NL stand- run deficit to complete a three-game

depend on tobacco sponsors. As BAT is

part owner, he said he would also "be

looking toward them for solutions."

Pirate starter Todd Van Poppel lasted only one-third of an inning, giving up five runs on four hits and a pair of walks

as the Reds pulled ahead, 5-0.
But Pete Harnisch blew a 5-0 lead for the second time this season, falling apart after he retired the first nine batters. Astros 6, Browers 2 Ricky Gutierrez

hit a three-run triple and Jose Lima pitched eight strong innings as Houston beat visiting Milwaukee. It was the Astros' seventh straight victory. Pete Incaviglia, making his first ap-pearance for the Astros since getting

called up from Triple-A New Orleans on Monday, added a two-run double in the eighth. Dodgers 5, Marlins 2 Adrian Beltre hit

two-run homer as Los Angeles avoided a three-game sweep at home. Brian Bohanon (6-7), the Dodgers' best starter since he was acquired July 10 in a trade with the New York Mets.

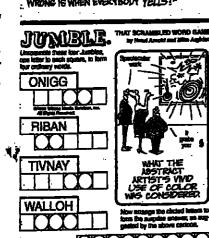
gave up two runs on four hits in eight

innings. Jeff Shaw pitched the ninth.

### **DENNIS THE MENACE**



"It's Eaby diknow right from wrong Joey. Wrong is when everybody Yells!"





### **PEANUTS**



HERE COME BEETLE AND SARGE, ARGUING

**GARFIELD** 

THEY NEED A

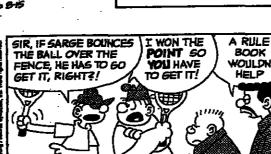
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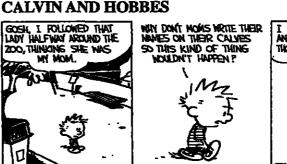






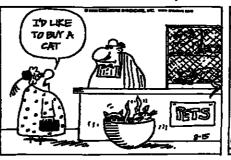












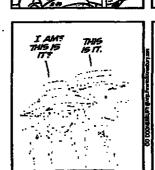










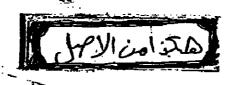




LIVE - Motor Racing - Elkhart Lake C.A.R.T FedEx Championship tune in tomorrow 21.30 (CET)



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### **DAVE BARRY**

# Paris Without the 'R'

MIAMI — This summer, for my vacation, I went to Paris, France, I went there to follow in the footsteps of such great writers as Ernest Hemingway, Henry Miller and F. Scott Fitzgerald, all of whom, for the record, are currently dead.

I blame the Parisian drivers. Paris has only one vacant parking space, which is currently under heavy police guard in the Louvre museum. This means that thousands of frustrated motorists have been driving around the city since the reign of King Maurice XVII looking for a space, and the way they relieve their frustrations is by aiming at pedestrians, whom they will follow onto the sidewalk if necessary.

Often the only way to escape them is to duck into one of Paris's historic cathedrals, which fortunately are located about every 25 feet (or 83.13 liters).

Nevertheless, it's very pleasant to walk around Paris and feel - as so many Americans feel when they're in that incredibly beautiful city - fat. Because the fact is that we

This city has only

one vacant

Americans look like enormous sneaker-wearing beef cattle compared to the Parisians, who tend to be very slim, with an average body weight of 38 pounds (7.83 meters).

parking space, and It's odd that the French apit's at the Louvre. pear to be in such good shape. because the major activity in Paris, aside from trying to run over pedestrians, is sitting

around in cafés for days at a time looking French.

Sometimes we Americans try to blend into the café scene. but the French immediately spot us as impostors, because we cannot pronounce the Secret French Code letter, which is It is virtually impossible for a non-French person to make this sound; this is how the Parisian café waiters figure out that you are an American, even if you are attempting to

WAITER: "Bonjour. Je suspect que vous etes American." ("Good day. I suspect that you are American.")
YOU: "Mais je ne portes pas les Nikes!" ("But I am not

wearing the sneakers!)

WAITER: "Au quais, monsieur pantalons intelligents, prononcez le mot 'Rouen.'" ("O.K., Mr. Smarty Pants, pronounce the word 'Rouen.'") YOU: "Woon." ("Woon.")

WAITER: "Si vous etes Français, je suis l'Homme de la Batte." ("If you are French, I am Batman.")

The other sure-fire way to tell the difference between French people and Americans in a cafe is that the French are all smoking, whereas the Americans are all trying to figure out how much to tip.

The tourist guidebooks are vague about tipping: They tell you that a service charge is USUALLY included in your bill, but it is not ALWAYS included, and even if it IS included, it is not necessarily TOTALLY included. On top of that, to convert from French money

And tipping? Forget about it, it's an ancient French mystery.

meet anybody who can do And so while the French are lounging and smoking and writing novels, we Americans spend our café time

to American, you have to di-

vide by six, and I have yet to

darting nervous glances at the bill, which is often just a piece of paper with a lone, mysterious, not-divisible-by-six number scrawled on it such as "83." We almost always end up overtipping, because we're afraid

that otherwise the waiter will make us say another "R" word. I frankly don't know how the French handle tipping, because in my two weeks in Paris I never saw a French person actually

Not that I am being critical. As a professional journalist, I like the idea of a society where it is considered an acceptable occupation to basically sit around and drink. In fact, I liked almost everything about Paris. The city is gorgeous, the food is wonderful and they have these really swoopy high-tech public pay toilets on the streets that look as though, if you went into one, you might get beamed up to the Mother Ship.

Also Paris has a terrific subway system, Le Metro (literally, "The Metro"). I always felt safe and comfortable in the Metro, although one time, when I was waiting for a train, the loudspeaker made an announcement in French, which was repeated in English, and I swear this was the whole thing: "Ladies and gentlemen, your attention please. Robbers are in the station. Thank you." None of the Parisians seemed the least bit alarmed, and nobody robbed me, which was a good thing, because I would have had no idea how much to tip.

In next week's column I will tell you about some of the famous tourist attractions of Paris, such as the L'Arc D. Triomphe, Notre Dame, the Leaning Tower of Pisa, etc. Until next week, as the French say, "Au revoir." (Literally, "Woon.")

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# Saga of a Statue: The Struggles of Rodin's Balzac

By Mary Blume International Herald Tribune

PARIS — It took 41 years for Rodin's statue of Balzac to find public space, at the corner of boulevards Raspail and Montparnasse. Even when it was finally inaugurated in the summer of 1939, the site was hardly choice because the statue made people nervous with its wild and unconventional treatment of genius: Why, people wondered, couldn't Rodin have shown the novelist pen in hand instead of striding in his bathrobe and - or so it seems these days - recoiling from the traffic, head thrown back as if to

gasp for air.
The statue, Rodin said, was "the result of a lifetime, the pivot of my aesthetic." This was in 1898 when it was first displayed, reviled and rejected by the writers' group that had commissioned it. The Rodin Museum in Paris is commemorating the centennial of the scandal with an exhibition, "1898: Le Balzac de Rodin," detailing its creation and fate.

Balzac died in 1850 and decades later there was still no monument in a period when, as Zola said, statues seemed to spring up like mush-rooms overnight. Although his own view was that a writer's work is his monument. Zola said that since statues exist it was wrong to neglect France's greatest novelist. One reason why Zola agreed to be president of the Societe des Gens de Lettres in 1891 was probably to get the project going.

That year Henri Chapu was commissioned to do the work and produced a model, seated, holding a plume and wearing the monkish dressing gown that Balzac always worked in, with a mask on the pedestal representing the novelist's "La Balzac before clothing him, first in Comedie Humaine." Then Chapa a frock coat and then in the famous him to be a candidate. Rodin wrote a changing details of lapel and letter promising a bronze about sleeve. The haircut and tilt of head



Rodin called his statue of Balzac "the pivot of my aesthetic."

with his own working methods, which involved collecting every document he could on Balzac, and visiting the novelist's native town of Tours to study local physiognomies (but not, it seems, reading Balzac's collected letters or "La Comedie Humaine"). "For me Balzac is above all a creator and that's what I

want to show," he said. He found a male model in Touraine, who disappeared. He made prodigious nude statues of died with the job unfinished and robe. For the robe he got a real one, Zola, who had known Rodin since stiffened it and dipped it in plaster 1889, perhaps earlier, persuaded and then made plaster studies,

18 months, and was accepted by the face, which began realistically, had Societe. Rodin had failed to reckon its features blurred and eventually thickened into the roar of despairing genius. Rodin, of course, had missed his deadline.

Zola was no longer president of ne Societe. His successor threatened a lawsuit and another sculptor tried to get the commission, presenting a model of Balzac as a tidily winged sphinx. Rodin made peace with the Societe, putting in 10,000 franc advance in escrow and ce with the Societe, putting his promising to do his best as quickly as he could. Zola urged him on: Balzac awaits and his glory should not suffer because of your legit-imate concerns about your own."

There were still people alive who had seen Balzac but for all his research Rodin was not attempting a affair and with parliamentary elecportrait. His "Balzac" is a demiurge rather like himself and not a brain.

in's strong point. His bust of Shaw, who was all gray matter, is deadly, and despite its name his "Thinker" is clearly a splendid athlete without a thought in his comely noodle). Probably he expected trouble when the completed plaster statue was to be shown at the Salon of 1898, for he also showed his admired "Kiss" in marble and took the precaution of inviting friendly journalists to see the work before the show.

One of the journalists saw Rod-"Balzac" "drinking and breathing the fever of the human and another said that the comedy. statue at first glance is "a block, a rock, a monolith. . . . Little by little one discovers the form beneath the envelope, with the rapid lightfooted movement of the heavy man and that way of shifting weight that Balzac had and that Lamartine described so well.'

So far so good. Then the public came. "A block of salt caught in a shower," "a seal," "a bag of plaster," "a snowman in a bathrobe whose empty sleeve suggests a strait jacket" were some of the comments. The Societe des Gens

de Lettres turned the statue down.
"I got a broadside like the one you got when it was fashionable to taugh at your invention of putting the air into your landscapes," Rod-in wrote to Monet. Bandelaire praised the depiction of Balzac as the creature of a civilization and of all its battles, ambition and rages." Rilke said Balzac's body showed the pride and arrogance of creation. its vertigo and drunkenness. Offers came from private collectors, a public subscription was started to buy the "Balzac," a petition was signed by Toulouse-Lautrec, Maillol, Clemencean, Debussy, Monet and Anatole France, but not by Zola whose "J'Accuse" came out the same year (Rodin had not joined in

the Dreyfus campaign). The scandal was perhaps inevitable, but 1898, with the Dreyfus tions, was an edgy year: Rodin's statue subverted the conventional

(Portraying intellect was not Rod-view of greatness and might, people thought, lead to such untoward acts as refusing to pay taxes and even revolution. Rodin refused the public subscription and all offers to buy and decided to keep the statue at Mendon, outside Paris, until the city was ready for it: "The Balzac statue is the logical development of my artistic career. I take entire responsibility for it. And my wish is to remain its sole owner.

But 10 years later the rejection still rankled and Rodin began a campaign for his "Balzac." It was 1908. the year the Balzac museum opened and he donated a plaster model. He also invited the 28-year-old American photographer Edward Steichen to Mendon to photograph the Balzac by moonlight. Steichen spent two nights at work and Rodin gave him 1,000 francs, comparing the images to Christ walking in the desert.
"Your pictures will make the world understand my Balzac," he said. Rodin died in 1917. In 1937

there was a Paris exhibition called Monumental Errors showing the "baroque masses of lard" that decorate Paris's public spaces and works, like the "Balzac," that should be there. A public subscription to cast the work in bronze was already under way (the curator of the Rodin museum gave a mingy 50 francs, the French Communist Party 500). That the bronze should be on public display had been accepted but then the quibbling began about where it should be placed, with no quarter of Paris showing much enthusiasm.

The inauguration in Montparnasse finally took place under gray and showery skies on July 1, 1939, and when war broke out shortly after it went back under wraps for the duration. In 1898, 41 years earlier, a young man who only identified himself as a 20-year-old artist wrote Rodin, addressing him as Illustre Maitre, a fervent letter of encouragement. One day, he said, the statue would stand in the middle of Paris, breaking stupidity, error and hatred on its pedestal while posterity rendered its solemn homage.

### RARE book in which Nicolaus Copernicus revolutionized astronomy has been stolen from Ukraine's National Vernadsky Library, the director said Friday. "There are only eight or 10 known

copies of this work in the world," Alexei milestone adjudication in defense of Onishenko said. The work, "On the anyone who finds themselves bounded Revolutions of the Heavenly Spheres," was written in Latin and published in Nuremburg in 1543, the year of the Polish astronomer's death. In it, Copernicus put forward the controversial idea that the sun not the Earth was the center of the universe, defying Christian doctrine at the time.

A celebrity magazine that photo-graphed Paul McCartney and his fam-

in mourning at Notre Dame cathedral in Paris invaded their privacy and intruded upon their grief, a British press commission has ruled. Britain's Press Complaints Commission issued its ruling against Hello! magazine, which published photos on May 30 of McCartney and his family mourning his late wife, than \$2 million was indicted on 35

Cartney died of breast cancer April 17. The ruling was the result of a complaint filed by McCartney. A family spokesfor decent human values, it is also a

merely because of questionable news

**PEOPLE** 

A judge issued arrest warrants for ODB of the rap group Wu-Tang Clan after he missed his third scheduled court date on a shoplifting charge. ODB, whose real name is Russell Tyron Jones is accused of stealing a pair of \$50 Nike shoes from a store in Virginia Beach, Virginia, on July 4 — three days

after walking out of a New York hospital

with gunshot wounds he suffered when

his home was apparently robbed.

A coin dealer accused of swindling the novelist Tom Clancy out of more run until Dec. 27. The Web site can be

bilked not only Clancy, but used the author's name to entice about 130 people man said the ruling "is not only a victory in 17 states to invest \$7.5 million. Prosecutors said Scott frandulently posed as a successful investor specializing in buying rare coins. He invested in a highly speculative mutual fund and used ers' money to pay credit card debt. buy electronic equipment and pay for "junkets, Clancy's lawyers contend. If convicted on all counts. Scott and two co-defendants could face more than 100 years in prison.

> Art Tovers can explore Claude Mor et's world on a new Web site. The "Explore Monet's World" site was launched to coincide with an exhibition opening Sept. 20 at the Museum of Fine Arts in Boston. The Web site leads visitors on a tour of the places Monet lived and painted, including London, Venice and Giverny, France. The exhibition will reached at:

www.fleet.com/monet



RESEARCH --- Sylvester Stallone, right, and producer Andy Wayna visiting a racetrack Friday near Budapest, to prepare for a film about Formula One racing. Linda, inside Notre Dame. Mrs. Mc-counts of conspiracy and securities



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fraud. Prosecutors say Richard Scott